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SURVEY OF ECONOMIC AND SOCIAL CONDITIONS IN THE AFRICAN LEAST DEVELOPED COUNTRIES

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INTRODUCTION

A. The implementation of the Substantial New Programme of Action in a difficult international economic situation

1. The fourth meeting of the Conference of Ministers of African Least Developed Countries occurs midway between the Paris Conference on the Least Developed Countries, the adoption of resolution 36/194 by the United Nations General Assembly, which endorsed on 19 December 1981 the Substantial New Programme of Action for the Least Developed Countries, and the time-limit of 1985 fixed for donor countries to increase their aid to the least developed countries to 0.15 per cent of their gross domestic product or to double that aid. However, since 1981, development official assistance which is the main source of external financing of the low-income and least developed countries has remained clearly lower than those countries expect. This constraint has remained following the deflationary policies carried into effect in several industrialized countries in order to contain their domestic inflation and to reduce their budgetary and balance-of-payments-deficits and following the decline of oil revenue in the countries members of the Organization of Petroleum Exporting States (OPEC). The assistance rendered by the International Monetary Fund(IMF) over the short- and long-term (one to three years) also involves additional deflationary measures in the monetary and fiscal fields and imposes constraints for reducing internal demand. At the same time, the assistance given by the World Bank over the long-term is aimed at structural adjustments to diversify the economies in question and make them less volnerable to outside factors, such as climatic variations and fluctuations in world commodity prices. Assistance from the Bank remained relatively modest between 1981 and 1983. Finally, there was a decline in the disbursements made by the European Economic Community to the African least developed countries, signatories of the Lomé Convention, in order to stablize their export earnings. As an example, the Gambia, which is highly dependent on its exports of groundnut products, received no payment under STABEX in 1982/83 and a decline in payments of the order of 47.3 per cent is expected in 1983/84, as compared with 1981-82.

2. Round tables or consultation groups have been chosen as methods of obtaining financing from donors for priority projects and programmes in the least developed countries. However, in spite of the delays which have taken place in holding these meetings, effective commitments have remained inferior to the pledges made, in particular because of the long time it takes for the donors to study the projects before reaching a final decision.

B. Aims and content of the study

3. This study seeks to summarize the economic and social situation in the African least developed countries and the external assistance received by these countries. It consists of three parts. The first part outlines the overall growth, sectoral trends and the development of public finances and foreign trade. The second part deals with the main characteristics of the economic and social policies carried out in the African least developed countries. The third part reviews the economic and social situation in each of those countries.

First part: General trends

A. Overall growth, sectoral trends and development of internal demand

4. During the years 1982 and 1983, the overall economic situation of the African least developed countries deteriorated considerably. Overall growth, already relatively modest between 1975 and 1980 (plus 3.6 per cent per year) fell to a negative level. On the basis of the initial estimates available for 1983, the rate of growth of GDP in real terms is of the order of 0.2 per cent in 1983 as opposed to 5.0 and 0.8 per cent in 1981 and 1982 respectively. This corresponds to an average annual decline in real per capita income of the order of 1.9 per cent, from US$103 in 1981 to 99 in 1983. This generally unfavourable trend is derived from the overall crisis affecting all the productive sectors of the African least developed countries.

5. The primary sector - crops, cattle, fishing and forestries - has remained dominant in these economies with an annual average of 43 per cent of GDP. Crops and cattle have represented the largest part of value added in this sector, whose annual average rate of growth between 1981 and 1983 was of the order of 8.1 per cent in nominal value or 2.5 per cent in real value (as opposed to 2.3 per cent in 1980). Fishing in those countries with a coastline (14 out of the 26 African least developed countries) and forestry in those countries situated in equatorial and sub-equatorial areas have undergone a surge in activity, particularly because of the launching of large-scale production units (industrial saw-mills, large refrigerated depots and warehouses). Crops and cattle suffered once again, especially in 1982-1983, because of the unfavourable climatic conditions: the drought resulting from irregular, inadequate and poor distribution of rain. The low internal financing capacity of these countries has not enabled them to tackle capital-intensive irrigation projects, while in most cases the lack of a well-defined agricultural policy has impeded the rational utilization of land. During the period 1981-1983, cereal production, which provides the essential part of the food base, after an increase in volume of 7.6 per cent in 1981, to 22.3 million tons, declined by 9.4 per cent in 1982, to 20.2 million tons, before becoming stablized in 1983 at substantially the same level as in 1981. This corresponds to a decline in the per capita cereal ration of the order of 2.7 per cent per year, taking into account the rate of demographic growth, which is about 2.8. The five main producers of cereals (Ethiopia, Malawi, Niger, Sudan and Tanzania) saw their cereal production develop at rates of minus 1.3, plus 8.6, plus 1.4, minus 5.5 and plus 1.4 per cent, respectively. This shows the disparity in the food situation and the constraints which it imposes on the balance of payments of the countries concerned. The cash products in the primary sector have remained dominated by groundnut products (40 per cent of the total), cattle (28 per cent), cotton (19 per cent), coffee (12 per cent), cocoa and timber. After the good harvests of 1981 which saw the production of groundnuts, cocoa and cotton increase by 26.2, 24.6 and 15.3 per cent respectively, the year 1982 was marked by general decline in production levels, except for cotton whose production increased by nearly 23 per cent. The production declines were accompanied by a decline in export prices ranging from 10.2 per cent for animal products to nearly 30 per cent for groundnut products.

6. The mining sector represented about 1.6 per cent of total added value. It remained stagnant because of the lack of an exhaustive inventory of mining resources or of the high cost of the accompanying infrastructures (transport and energy, in particular) required to develop these resources. This low added value was created by the traditional producers (Botswana, Guinea, Lesotho, Niger, Central African Republic and United Republic of Tanzania). The search for oil remained the major concern of countries in the field of prospecting.

7. The manufacturing industries represented the same percentage of GDP as in 1980-1981, an average of 9 per cent. Based essentially on the transformation of agricultural products and on the treatment of ores, they suffered from the poor performances of the primary and mining sectors, whose effects were exacerbated by the inadequacy of investments for maintaining and renewing equipment and by the low demand, both internal (smallness of domestic markets) and external (competition from similar industries established in South-East Asia and in neighbouring African countries). From $1.26 billion in 1981 the added value of manufacturing industries rose to $1.29 billion in 1983, an annual average rate of growth of 1.2 per cent in real terms.

8. The annual average rate of growth of the buildings and public works sector, which was 3.6 per cent in 1981, fell to about to 1 per cent in 1982. This decline in the rate of growth is to be attributed to the delay in the schedule of execution of the main socio-economic infrastructures (roads, schools, cheap housing etc.) because of the large amounts of imported materials and the lengthy duration of the feasibility studies required by these projects.

9. The development of trade and of transport remained closely linked with agricultural production. The main bottle-necks were the decline of agricultural production, the island or land-locked nature of most of the countries, the fragmentation of the national territory of certain members of the group of African least developed countries, the difficulties of access to centres of agricultural production, the obsolescence of transport equipment, and the high cost of maintaining transport routes and of importing petroleum products. Trade and transport contributed respectively 17.8 and 7.2 per cent of GDP with annual average rates of growth of 0.5 and minus 1.1 per cent respectively. Apart from tourist-oriented countries (Cape Verde, the Gambia, Sao Tome and Principe, Rwanda and Burundi, in particular), the development of the services sector was very modest, whereas the quasi-stagnation of the value added in public administration is due to the action taken to control the expansion of the costly public sector.

10. The structure of the demand shows a stabilization of internal expenditure - consumption expenditure and investment expenditure - in terms of percentage of GDP. Thus the deficit in internal resources was the same in 1982 as in 1981, i.e. 13 per cent of GDP, whereas the average rate of domestic savings declined from 5.3 per cent of GDP to 3.8 per cent and the average rate of investment from 19 per cent of GDP to 17 per cent. During the same period there was a very slight contraction in imports and exports from 27 and 14 per cent of GDP to 26 and 13 per cent, respectively. The trend in investment is linked to the difficult budgetary situation of the African least developed countries.

In fact, these investments are largely made up of public expenditure with a large imported component. The decline of exports has reduced external reserves and correspondingly the domestic capacity to import, whereas the paucity of income makes it impossible to offset this downward trend by higher rates of direct taxation. Thus, the African least developed countries have continued to have considerable recourse to outside sources of financing both for their investment programmes and for imports of certain consumer goods (particularly foodstuffs):

B. Trends in public finance

11. The structure of public finances in the African least developed countries is characterized by the predominance of indirect fiscal earnings derived mainly from duties on the export of one or two cash crops (coffee, groundnuts or cotton) and from certain mining products (bauxite, uranium or diamonds). The tendency in 1981-1983 was in favour of the creation and mobilization of greater national savings through the practice of budget austerity (control of public consumption, recruitment and wage increases in the public sector, elimination of certain subsidies) and the increase of State revenue through an improved system of recovery. It proved difficult, however, to sustain budgetary surpluses or even to balance the budget, in spite of the economic and financial stabilization programmes carried out under the aegis of IMF. With the exception of Togo, which in 1982 had a budgetary surplus of 8 billion CFAF and countries where budgetary practice is recent, such as Equatorial Guinea and Sao Tome and Principe, nearly all the least developed African countries experienced budgetary deficits, mainly because of decreasing earnings from their exports. In most cases these countries were compelled to revise downwards their investment programmes or to appeal to outside sources for their development budget, the latter already covering on the average 86 per cent of their investment expenditures. The allocation of resources remained the same in 1981, with priority given to the rural sector and to socio-economic infrastructures.

C. External trade and balance of payments

12. Apart from the seven major exporters of mining products (Botswana, Central African Republic, Lesotho, Sierra Leone for diamonds, Guinea for bauxite, Niger for uranium and Rwanda for cassiterite), African exports have remained essentially based on agricultural products (groundnuts, cocoa, coffee and cotton, in particular) and on forest products (timber). Nearly all these products suffered in 1982 from a decline in world prices ranging from about 3.7 per cent for timber to 23 per cent for cocoa. This situation, combined with a fall in the demand of the industrialized countries due to their economic recession and certain poor agricultural performances, resulted either in a decline in export earnings the largest of which was registered in Tanzania (minus 20.3 per cent) or an increase in earnings clearly inferior to that of export volumes (for example, in 1982 the doubling of tonnages of groundnuts exported by the Gambia resulted in an increase of export earnings of only about 13 per cent).

13. During the period 1981-1983 there was a certain stabilization and even a reduction in the level of imports, linked to the diminution of the import capacity of the African least developed countries. There was a fall in the level of foreign reserves with countries like Ethiopia and Sao Tome and Principe having in 1982 only the equivalent of one month of imports. However, the structure of these imports remained the same as in 1981, with a predominance of imports of foodstuffs and capital goods.

14. In most cases the overall balance of payments in the African least developed countries has remained in surplus because of the entries of capital which have offset the almost general deficit in current operations. There is still the problem of the composition of these flows of capital: increased donations and loans with the maximum amount of liberal terms, etc..

Second part: Main political, economic and social policies applied in the African least developed countries

15. The policies applied in the African least developed countries are aimed at: (a) the revitalization of economic activity; (b) economic stabilization; (c) social welfare. The success of these policies is highly dependent on the international economic situation, which unfortunately at the moment is unfavourable.

A. Policies for the revitalization of economic activity

16. The main task is to rehabilitate the existing productive sectors in order to revitalize production in general and agriculture in particular. Thus, the countries under consideration have redeployed investments with a view to increasing gross agricultural capital formation and building the accompanying infrastructures (roads and dams, in particular) which are needed to enhance the profitability of the sector, which has suffered in recent years from unfavourable climatic conditions. Thus the share of public investment in the rural sector rose from 26 per cent on the average in 1981 to 32 per cent in 1982 and 1983, whereas that of infrastructures rose from 27 per cent to 36 per cent in the same period. At the same time, loans with low rates of interest were made in directly productive sectors. In order to make capital investments profitable and encourage farmers to increase their production, the system used was to increase prices to producers often to levels higher than world prices, as is the case with groundnuts in the Gambia. The domestic effects of such a policy would be an increase in rural income which would keep up demand (income policy) and at the external level would increase export resources. In order to promote the sale of these export resources, some countries (Sierra Leone and Sudan, in particular) followed a policy of a double rate of exchange (the official rate and the free-market rate, the latter being closer to the real purchasing power of the currency. Other countries devalued their currency: the kwacha in Malawi (15 per cent), the pula in Botswana, the ekwele in Equatorial Guinea (100 per cent), and the Tanzanian shilling, in particular.

B. Economic stablization policies

17. These policies have for the most part been defined as measures accompanying standby agreements signed with the International Monetary Fund or the World Bank. The aims sought are structural adjustments in budgetary matters (the search for a balance), monetary adjustments (aimed at restoring the real purchasing power of the currency, mobilizing domestic financial resources and fighting against inflation) and adjustments in the balance of payments (the search for balance, reduction of imports to allow for the scarcity of foreign reserves, reduction of external indebtedness to a level compatible with the absorption capacity of the country). Thus most of the African least developed countries have frozen wages, reduced the levels of recruitment in the public sector and eliminated certain price subsidies in order to discourage inter alia certain non-essential imports. At the same time credits have been limited to the essential need of the economy, with heavy rates of interest imposed on credits to non-productive sectors. In order to increase State resources, which is essential to sustain for any length of time a high public level of investment, these countries have also tried to restructure their State corporations and enterprises inter alia by opening up their capital to private investors. The African least developed countries, in particular those which have already held their round table discussions with donors, have requested the latter to reschedule their foreign debt. Among the countries which have received help from IMF or the World Bank and carried into effect the above measures, we may cite the Gambia, Cape Verde, Equatorial Guinea, Guinea (partial application), Malawi, Mali and Togo.

C. Social welfare policies

18. These policies are aimed at the satisfaction of the essential needs of the people in the fields of education, health housing and employment. In addition to the efforts made by Governments to increase the level of coverage of these needs by the public sector, we must note the actions undertaken in the matter of the collective participation of peoples: community work for the building of schools and clinics and for the protection of the soil in Rwanda, Burundi and Cape Verde in particular. These social projects have suffered, however, from the reticence of inventors because of their indirectly productive nature.

19. As will be seen later in the study, the prospects for economic and social development in the African least developed countries and more particularly those situated in the Sahel, are most precarious. This explains why these countries have made different appeals to the international community with a view to obtaining funds to ensure their economic recovery and their protection against such natural disasters as the drought.

BENIN

1. Changes in principal macroeconomic aggregates

A. Overall growth and sectoral trends

20. The GDP of Benin rose from 257.2 million CFAF in 1981 to 306.3 million in 1982, a nominal growth of the order of 19 per cent (or 6 per cent in real terms), the rate of inflation being reckoned at between 12 and 13 per cent. This corresponds to a per capita GDP of $302 in 1982. Initial estimates available for 1983 show that the economic situation has become considerably worse with an increase of GDP in real terms of only 0.5 per cent, a decrease of about 2 per cent.

21. During the 1980s the growth of the agricultural sector has been very weak, achieving a rate of nearly 0.3 per cent. Recent trends observed in the agricultural sector show a certain improvement. The growth of the sector in real terms was 3.6 per cent and 6.3 per cent in 1981 and 1982 respectively (as against an annual average of 0.3 per cent between 1979 and 1980). This development is attributable to better marketing conditions. However, the recovery did not continue in 1983 mainly because of the unfavourable weather conditions, which aggravated the food deficit. Imports cereals were estimated at 85,000 tonnes whereas the decline in groundnut production which started in 1979 and the increase in cotton production continued. Finally, production in the fishing sub-sector has remained stationary since 1979 at around 24,000 tonnes per year.

22. The industrial sector is made up of light industries (textiles, beverages, food and construction). Its contribution to GDP has remained low at about 7 per cent. In 1981 and 1982 this sector experienced a sustained growth of 3.8 and 6.6 per cent respectively in real terms after the declines noted between 1977 and 1980. However, since 1982 the industrial sector has been faced with such difficulties as the lack of raw materials for food industries, the saturation of the domestic market for the building materials industries and the lack of sufficient foreign outlets for the textile industries.

23. The mining and energy sector represents only 0.3 per cent of GDP but it could soon receive a boost with the exploitation of the oil deposits at Sémé where production started in November 1982 and achieved a rate of production of 15,000 barrels of oil a day. Nearly all the electricity consume comes from the Akoscombo dam in Ghana, which at the moment is suffering from an insufficient level of renewal.

B. Domestic expenditure

24. The structure of domestic expenditure is characterized by a strong propensity to consume (0.99 per cent approximately). Private consumption represents more than 90 per cent of total GDP. Gross fixed capital formation remains at its 1980 and 1981 level at about 17 per cent of GDP. This investment effort is achieved to a large extent with external resources, since domestic savings are almost nil. Exports represented a substantial proportion of GDP (about 22 per cent in 1982) whereas the high level of imports caused a deficit in the trade balance of about 20 per cent of GDP.

C. Public finances

25. In 1982 the regular budget revenue derived mainly from customs receipts was 50.9 billion CFAF and current expenditure was of the order of 47.9 billion CFAF, a budgetary surplus of 3 billion CFAF. In 1983 the budgetary situation deteriorated because of the incompressibility of certain expenditures (personnel in particular) and the decline in receipts because of difficulties of recovery and a fall in customs receipts. The income obtained by the growing petroleum industries (12 billion CFAF in 1983) served to a large extent to lighten the public debt, whereas the delay in the execution of projects for reorganizing the public sector continues to hamper the achievement of lasting budgetary stability.

26. The foreign trade of Benin remains dependent on the economic situation of its powerful neighbour, Nigeria. Benin's exports, based essentially on agricultural products (cotton, palm oil, groundnuts), have steadily declined in volume between 1976 and 1982, whereas imports have substantially increased as a result of stronger domestic demand led by the equipment sector. In 1982 the trade deficit was 20 per cent of GDP as opposed to 33 per cent in 1981. In recent years the current balance of payments has experienced a large deficit (24.4 billion CFAF in 1981), whereas the overall balance achieved equilibrium as a result of foreign loans, and a surplus of 11 billion CFAF emerged in 1981.

27. Recourse to foreign debts had the result of increasing the burden of debt servicing. Foreign debt rose from 59 billion CFAF in 1976 to 209 billion in 1982, a rate of increase of 254 per cent in five years. The servicing of this debt reached 10 billion CFAF in 1983.

E. Education

28. In 1981 the rate of enrolment in elementary school was 49 per cent with 380,000 pupils. Secondary education included 83,000 pupils and higher education 4,700 in 1981.

2. Major problems and policies pursued

29. Benin's institutional structures are inadequate and in particular it lacks a well-equipped planning service. Other problems are the dimensions of the national territory, the level of income and the smallness of the domestic market. For this reason, the policies followed by the Government include the achievement of more viable subregional and regional economic groupings. These policies are aimed primarily at the satisfaction of the essential needs in education, health, food and employment as well as the diversification of production and markets for national resources.

3. External assistance

30. In 1981 total concessional aid to Benin amounted to $82.3 million as against $94.9 million in 1980. About 94 per cent of this aid came from DAC countries and about 5 per cent from OPEC countries. The decline noted in 1981 is due to a reduction in aid from OECD countries and the multilateral institutions financed by those countries. Non-concessional aid, very substantial in 1980 ($301.3 million), declined markedly in 1981 ($37 million) or minus 87.7 per cent. Within the framework of the Substantial New Programme of Action, Benin organized in March 1983 a round table of donors. The investments required for the projects submitted to this round table were estimated at 600 billion CFAF.

BOTSWANA

Major Macro-Economic Trends

(a) Overall and Sectoral Growth

31. During 1981/1982, GDP is estimated to have increased by only 6.2 per cent in nominal terms as against an inflation rate of 12.3 per cent, which implies a significant decline of about 5.3 per cent in real terms. This trend was due to a bad year in 1982 when diamond sales continued their slump and the drought caused a decline in crop production. Agriculture performed very poorly as the drought situation reduced harvests of food crops to a mere 12,000 tonnes implying a food deficit of 120,000 tonnes. Cattle slaughtering, however, reached a new record high of 237,135 cattle. In mining, diamond production grew as a result of the coming into operation, in 1982, of the Jwaneng mine bringing the total 1982 diamond output to 7.7 million carats. In contrast, nickel-copper matte production declined from 47,000 tonnes in 1981 to 45,000 tonnes in 1982. The other sectors of the economy recorded some expansion since the rest of the economy, other than minings and agriculture, grew by about 7.7 per cent and 6.6 per cent during 1980/1981 and 1981/1982 respectively.

(b) Domestic Expenditure Trends

32. Data on recent patterns of domestic expenditure are scanty. However, the 1980/1981 structure has not changed significantly. During 1980/1981, government consumption expenditure represented about 19.6 per cent of GDP and this share is estimated to have increased slightly during 1981/1982 as a result of higher government expenditure and a slower expansion in total GDP at current prices. Private consumption which was less than 50 per cent of GDP in 1980/1981 is also estimated to have increased implying that, overall, the saving rate in Botswana declined during the period 1981/1982. Similarly, investments trends point to a slightly lower investment rate in the recent period as compared to the earlier periods before the slump in diamond sales.

(c) Public Finance

33. During the fiscal year 1981/1982, the overall deficit on the government budget was low at P18 million. However the outturn of the 1982/83 budget is estimated to show a deficit of around P69 million and it is expected that the fiscal year 1983/1984 will witness a fall of the deficit to P53 million. The recent healthy trends in the deficit owe their origin to an improvement in the overall government revenue position. In 1982/83, for example, the rebound in mineral revenues made it possible to have a substantial reduction in the original deficit estimate without necessitating deep cuts in budgeted expenditure.

(d) External Trade and Balance of Payments

34. The export performance of Botswana in 1982 showed an increase in the value of exports to P440 million as compared to P334 million in 1981. The share of diamond exports in total exports increased in 1982 reaching over 50 per cent despite the stockpiling of diamonds that continued throughout 1982. The increase in diamond export earnings was due almost entirely to the production of the new Jwaneng mine which also enabled an increase in the country's quota. Exports of beef and beef products reached P84 million as a result of the drought which caused farmers to bring more cattle for slaughtering. However, exports of copper and nickel declined due to a depressed market from P80 million in 1981 to P50 in 1982. Overall, the balance of payments position improved in 1982 with the deficit on the current account declining from P171 million in 1981 to P118 million in 1982. Also the overall balance of payments was in surplus by P57 million as a result of the narrowing of the visible trade deficit and a large capital account surplus.

Major Problems and Policies

35. Some of the major problems of Botswana include the drought and the high dependence of the economy on mineral exports. In the short-run the 1983 drought is expected to affect the 1983/84 crop in many areas and, as a consequence, a lot of resources are likely to be required to relieve the situation during the same period. For the export sector, the country has to find a longer-term solution to a structural dependence on mineral exports expecially diamonds which face fluctuating market conditions in respect of sales and prices . Presently it should be noted that the domestic policies that have been adopted to combat the deteriorating external payments situation have had some effect. These have included devaluation of the pula, mandatory ceiling of bank lending and a wage freeze.

Review of External Assistance

36. The government of Botswana has an ongoing National Development Plan for the period 1979-1985. Although no hard data is yet available on the volume of total external assistance for the period 1982/1983, the balance pf payments figures show that transfers to government increased slightly in 1982 to a level of P124.5 million as compared to P118.7 in 1981. Botswana has also not yet organized a Round Table for external assistance. It is, therefore, not yet clear how much resources the government might require either for the completion of the ongoing plan or for any new programme that the government might decide to embark on in the near future.

BURUNDI

1. Major Macro-Economic Trends

(a) Overall and Sectoral Growth

37. The overall GDP at factor costs grew by 4.3 per cent in 1981 in real terms and by 4.0 per cent in 1982. This was a significant improvement relative to the 1979-1980 period when GDP growth averaged only 1.5 per cent. Growth during the third five year plan period (1978-1983) was put at about 3.3 per cent per annum. This relatively poor performance which was below the plan target of 5.8 per cent was due to difficulties relative to domestic and external financial resources as well as to the slow growth in agriculture. Agricultural production which accounted for 62.5 per cent of GDP in 1982 increased by only 0.7 per cent per annum during the period 1978-1982, whereas the industry, mining and energy sector achieved a 9.2 per cent growth and the services sector recorded a growth of 6.9 per cent. Food crop production fell by 0.9 per cent although cash crop production increased by 8.9 per cent yearly. This trend implied that food production could not keep pace with the growth rate of population and the country had to resort to food imports in order to fill the gap.

(b) Domestic Expenditure Trends

38. Total resources of goods and services estimated to have increased by 3.7 per cent per annum during the Plan period 1978-1982. The major part of resources went to private and public consumption. The share of private consumption in GDP at constant prices, however, fell from 86.7 per cent to 1978 to 79.9 per cent in 1982 whereas the level of Government expenditure consisting essentially of salaries and emoluments remained practically unchanged, increasing only from 10.6 per cent to 10.8 per cent of GDP. The growth rate of private consumption of 2.9 per cent per annum was slightly higher than that of population (2.65 per cent), meaning that there was a slight increase in per capita household consumption. The investment rate increased from 10.9 per cent to 13.3 per cent of GDP whereas the savings rate increased from 13.3 per cent of GDP to 20.1 per cent during the Plan period 1978-1982. This constitutes a favourable shift in terms of desired self-sustained economic growth. Exports increased from 7.5 per cent of GDP to 11.6 per cent while imports decreased from 15.7 per cent to 14.5 per cent of GDP, which is an encouraging trend in the terms narrowing the external deficits.

(c) Public Finance

39. The public sector plays an important role in the economy of Burundi. The combined share of public consumption and public investment in GDP, which

had increased from 12 per cent to 21 per cent during the period 1970-1976, jumped to more than 36 per cent in 1982. The 1982 budget was 20 per cent higher than that of 1981 being Bu.Fr. 20.5 billion of which Bu.Fr. 6.1 billion was devoted to development. Over 90 per cent of Burundi's total investment was implemented by the public sector. The Government capital expenditures were mostly allocated to the rural sector, to infrastructures such as the upgrading of the road network, health and education and to the financing of public enterprises. Current expenditures also increased considerably, due to (a) an expansion of wages and salary bill and (b) the growth of subsidies and transfers to the rest of the economy.

(d) External Trade and Balance of Payments

40. Since 1966 the Burundi foreign trade account has revealed a growing deficit since coffee prices could not fully compensate for the rising price of food and capital goods imports. Only during the 1975-1977 coffee boom did the country register a surplus. This situation was however, reversed in 1978 when the world coffee prices fell drastically and the import prices increased tremendously such that the trade deficit reached Bu.Fr. 13.2 billion in 1982 compared with Bu.Fr 10.7 billion in 1981 and Bu.Fr 4.7 billion in 1978. However some efforts have been attempted to reduce imports of consumption goods in favour of production goods although the oil import bill more than quadrupled from Bu.Fr 600 million in 1978 to Bu.Fr 2.7 billion in 1982. While imports doubled, exports increased only by 19.7 per cent during the period 1978-1982, as a result of coffee earnings which represent, on average, 80 per cent of all exports. Overall, the deficit on the current account in this period was mainly a result of the deterioration of the terms of trade.

41. The imbalance in external trade has seriously affected the balance of payments situation of Burundi. Reserves which stood at Bu.Fr 8.9 billion in 1978 and Bu.Fr 9.1 billion in 1979 drastically fell to Bu.Fr 5.4 billion in 1981 and further to Bu.Fr. 2.4 billion in 1982. This situation has led the Government to adapt corrective adjustment measures aiming at encouraging export promotion and import substitution projects including a recent devaluation of the Burundi Franc.

(e) Education and Health

42. Over the past decade, the Government has devoted about 22 per cent of its ordinary budget to primary education, since the introduction of the 'Kiruindization' reform of primary school in 1973 primary school enrollment has increased very fast. In 1982-1983, primary enrollment increased by 9 pr per cent and the scholarisation rate (6 to 14 years of age) increased to 21 per cent. The reform aimed at adapting the educational systems to the country's development needs by pushing rural education, using the Kirundi language in primary schools, reorganizing the secondary schools

from an overly theoretical to a practical orientation, and the reinforcing of the university programmes. But government efforts are hampered by several constraints, namely insufficient educational material and lack of trained and motivated teaching personnel.

43. Health infrastructure is composed of 21 hospitals (13 public and 8 private), 100 dispensaries (75 public and 25 private), 9 maternities (4 public and 5 private) and one sanatorium and one bacteria laboratory. There is about one doctor for every 30,000 Burundians, one nurse or assistant for every 5,000 Burundians and 700 inhabitants for each hospital bed. Government aims at improving health care through a preventive approach as well as adapting curative strategies and construction of health facilities. The 1978-1982 Plan envisaged the establishment of one health centre in rural and urban communes to function as intermediate care centres between existing hospitals and dispensaries. But this objective was stalled by inflation, disruption of cement supplies in 1979 and lack of funds.

2. Major Problems and Policies

(a) Short-Term Problems and Policies

44. The Government of Burundi has succeeded in mobilizing the domestic financial system as well as external assistance to finance its investment programme. Due to the lack of dynamism in the private sector and the predominance of foreigners in the key sectors of commerce, transport, industry and banking, most investment was executed by the public sector. This has led to the problem of inflation as supply could not adjust quickly to the investment expenditures most of which were of an infrastructural nature. The Government s investment programme particularly in the building of infrastructure, generated income mainly within the small, salaried modern sector (5 per cent of population) which is dominated by urban-based activities. This suggests that the difference in per capita income between the rural and urban areas widened as the agricultural sector had a generally low absorptive capacity.

45. To deal with these issues, the Government took policy measures to increase per capita income in the rural areas through increasing the producer price for coffee. However, the short-term prospects for increasing per capita income through the coffee producer price are not good, partly because of the unfavourable outlook for world coffee prices which is projected to fall by as much as 40 per cent in real terms between 1981-1985. This fall will have to be absorbed partly by the small farmers through lowering producer prices in real terms and partly by the Government itself through lowering coffee taxes in real terms. Thus, in order to

maintain the country's resource gap at reasonable levels during the next two to five years and to reduce the rate of domestic inflation, the growth in public investment expenditures might have to be curtailed.

(b) Medium-Term Problems and Policies

46. The medium-term problems of Burundi has recently been spelled out in the new Fourth Five Year Development Plan (1983-1987). These include the landlockedness of the country, population pressure and under-employment, weakness of the rural sector, narrowness of the domestic market, energy constraints and a weak internal financing capacity. With regard to population pressures, the government policy aims at better distributing the population in the interior through facilitation of migration from high density areas to low density areas, and to implement specific family planning programmes. With regard to the landlockedness of the country, government policy aims at diversifing the means of access and intensifying co-operation with transit countries. The weakness of the rural sector in terms of absorptive capacity will be dealt with by improving standards of living of the rural population. The narrowness of the domestic market is to be tackled through the strengthening of sub-regional economic organization such as the Communité Economique des Pays de Grand Lacs (CEPGL), the Kagera Basin Organization (KBO), and the Preferential Trade Area for Eastern and Southern Africa (PTA). With regard to the problem of energy dependency, Burundi intends to pursue the completion of two new hydro-electric projects, to make wider use of peat as a substitute for charcoal and to take measures to increase oil storage capacity and diversify its supply routes.

3. Review of External Assistance

(a) Mechanisms

47. Burundi convened in February 1984 the Second Round Table Conference on External Aid. The Round Table aimed at making known the Economic and Social development orientation of the country under the Fourth Development Plan, 1983-1987, to mobilize the external financing necessary for its full implementation. The external financing sought at this stage was envisaged to be around 60 per cent of the plan requirements.

(b) Level of Assistance

48. Total external aid received during the Third Plan (1978-1982) amounted to Bu.Fr 48.3 billion, of which 42 per cent constituted transfers, 30.4 per cent grants and 27.5 per cent loans. The amount of external loans represented about 11.4 per cent of GDP, 122.2 per cent of exports and

56.2 per cent of imports. Nearly three quarters of external aid were given under very favourable conditions, consisting of capital transfers and grants. The remaining quarter consisted mostly of long-term credit at low rates of interest.

CAPE VERDE

1. Changes in the principal macroeconomic aggregates

A. Overall growth and sectoral trends

49. The overall growth of the economy of Cape Verde during the last five years, although exceptionally strong by comparison with that of the African countries situated at the same latitude, has experienced sharp variations. After being 8.5 per cent in 1979, the growth of GDP in real terms fell to 6.9 per cent in 1980, climbed back to 8.4 per cent in 1981 and then fell back again to only 5.2 per cent in 1982. This trend was caused by such external factors as the departure of migrant workers, whose numbers were estimated at 300,000 in 1981 out of a resident population of about the same size, substantial foreign aid and also by such internal factors as the buoyancy of the services sector, which during the period 1979-1982 on the average represented more than 26 per cent of GDP. This growth, however, was slowed down by the poor performance of the agricultural sector caused by the drought, which has persisted since 1968, and the deterioration of the soil resulting from erosion, and also by the weakness of the industrial sector. The value of the GDP at current prices in 1981 and 1982 is estimated at 4,909 million and 5,667 million Cape Verde escudos, respectively. Since the factors governing the growth of Cape Verde's economy have remained the same in 1983 as in 1982 or have even declined, especially because of the drought, it is probable that there will be a further slowing down of overall growth in 1983.

50. During the 1960s agriculture covered nearly all of the population's food needs and allowed exports of certain horticultural products. It has been strongly affected by the climatic conditions (scarcity of rain in a country where irrigated land constitutes only 3 per cent of the cultivated land). Thus, the production of rain-fed crops, basically maize and beans, which are the staple foodstuffs, only covers 5 per cent, in the case of maize, and 20-30 per cent, in the case of beans, of local needs. The rate of growth of 9 per cent recorded in 1982 for the primary sector seems basically attributable to the share of fishing, which was incorporated in that sector. Fishing has expanded considerably since the bringing into operation of the Interbase refrigerated warehouse in MINDELO with a capacity of 36,000 tonnes.

51. The manufacturing sector with about 9 per cent of GDP is limited mainly because of the lack of mineral and fossil energy resources, the weakness of the agricultural base, the lack of skilled personnel and the trend in potential investments which are directed more towards trade than industry.

Industry is still made up of only a few units, for the preservation of fish, the making of clothes and the extraction of salt. The growth in the volume of production of the manufacturing sector, which was 6.1 per cent in 1981, fell to 1.9 per cent in 1982.

B. Changes in domestic demand

52. The uses of the GDP are characterized by an imbalance between domestic production and domestic expenditure (final consumption and investment). Final consumption has remained constantly higher than domestic production: it represented on the average 128 per cent of GDP between 1981 and 1983. This imbalance, combined with an average rate of investment of 25 per cent, has caused a deficit in resources of the order of 53 per cent during the same period, a deficit which has been covered by imports.

C. Changes in public finances

53. These changes have been characterized by the search for balance in the State operating budget, nearly all the investment expenditure being financed by external aid and the funds remitted by migrant workers, whose contribution is nevertheless still modest. This balance seems to have been achieved since 1980. The structure of national resources is characterized by the predominance of indirect taxes (import taxes in particular), which represent about 70 per cent of receipts, and by the weakness of direct taxes (19 per cent) caused by the low level of income. During the period 1981-1983, the State increased its current receipts by about 11 per cent by strengthening the system of recovery and by increasing the tax on certain imports while expenditures rose by about 8 per cent, mainly because of increased wages and certain price subsidies. Thus, initial estimates indicate for 1982 a deficit of 55 million escudos as against 25 million in 1981.

D. Foreign aid and balance of payments

54. The structure of exports has remained constant: predominance of bananas (about 20 per cent) and fishery products (36 per cent). We must also note the important role played by the services rendered to shipping in transit. Exports experienced a drop in volume of more than 15 per cent due mainly to a fall in banana production of more than 50 per cent and a decline in fishery exports. According to initial estimates, there will be a recovery of the same magnitude in 1983 because of the bringing into operation of the refrigerated warehouses and the naval repair shipyard Capnave de Mindelo.

55. Imports remain dominated by food products and capital goods in the amounts of 50 per cent and 13 per cent respectively because of the substantial food deficit (nearly 50,000 tonnes) and the large-scale infrastructural projects in progress. After a decline in 1981 (minus 6.7 per cent) imports increased in 1982 and 1983 (plus 9 and 13 per cent respectively).

56. The rate of coverage of imports by exports has remained very low (about 5-7 per cent) whereas the deficit in the trade balance aparently rose from 3,865 million escudos in 1981 to 4,550 million in 1983. Almost half this deficit was financed by private transfers (remittances by migrant workers). The overall balance remained positive because of the massive imports of capital, especially in the form of grants, which made it possible to fill the deficit in current operations (about 1,940, 2,144 and 2,370 million escados in 1981, 1982 and 1983 respectively).

E. Health, education and housing

57. During the period 1981-1983, substantial infrastructural programmes in the health field were implemented in order to reduce the inequalities of coverage between Santiago, San Vincente and the other islands. Cape Verde this achieved indicators of the order of one doctor to 4,300 inhabitants and one nurse to 1,400 inhabitants, as compared with averages of one to 23,000 and one to 3,300 respectively for the whole of Africa. The rate of school enrolment for the age group 7-12 is approximately 33 per cent, while the housing situation varies from island to island and is affected by the shortage of drinking water and health infrastructures.

2. Major problems and policies pursued

58. The major problems facing Cape Verde are: (i) insularity and dispersion of the national territory over about 10 islands which creat natural poles of development only where there exist socio-economic basic infrastructures; (ii) persistent cycles of drought and the harmful effects of erosion on the volcanic soils, which constantly reduce the cultivable areas and prevent all possibilities of industrial development other than that based on fishery products and aggravate from year to year the food deficit; (iii) the strong dependence on foreign aid both for current consumption (75 per cent of cereal needs were imported between 1981 and 1983) and for capital goods; (iv) the lack of natural resources (minerals in particular) and of skilled manpower, the inadequacy of financial resources and the smallness of the domestic market linked to low income and low production capacity; (v) the imbalance of foreign

trade which has made it impossible to raise above 7 per cent the rate of coverage of imports by exports. In order to overcome these main bottlenecks, the Government has started a programme of reforestation and of building dikes and small dams. In order to promote the unification of the national territory, the Government has encouraged the intensification of maritime traffic between the islands. The Bank of Cape Verde has launched a campaign to mobilize the savings of migrant workers and the Government, through rigid controls, is seeking to balance its operating budget.

59. The economy still has difficulty in coping with climatic variations, the low level of satisfaction of basic educational, health, housing and employment needs, the persistence of certain unequal social relationships inherited from colonization, and the strong dependence of the economy on the exterior. Thus sectoral policies are being pursued with a view to increasing the irrigated areas, profiting from the enormous fishery resources, seeking a nutritional balance and increasing export earnings (extension of industrial fishing, promotion of artisanal fishing, and strengthening of warehouse capacities. Over the medium-term, emphasis will be placed on the development of national resources, both natural and human. The enlargement of the industrial base is still in the planning stage and a Round Table on the Industrialization of Cape Verde will take place in 1984. The Development Plan 1982- 1985 defines the first phase towards the achievement of these objectives.

3. External assistance

60 In June 1982 Cape Verde organized a round table of donors in order to finance its first National Development Plan 1982-1985. During this round table the Cape Verdian philosophy of foreign aid was put forward. This aid must be "foreseeable, continued and guaranteed", must include a preponderant share of grants, must include also a share of loans on highly liberal terms and must finance the total cost of projects (including local costs and recurrent charges the latter being gradually taken over by Cape Verde), etc. The innovation instituted by Cape Verde in the machinery of foreign aid consists in the elaboration of an indicative programme of medium-term investment with target levels of total annual aid fixed at constant prices to be adjusted in the light of inflation during biennial consultations. For the negotiation of foreign aid and its optimal allocation to priority sectors, Cape Verde has established Secretariat of State for Co-operation and Planning linked the Cabinet of the Prime Minister.

61. The Development Plan for 1982-1985 makes provision for a total investment of US$520 million, three times more than during the period 1978-1981. The pledges made during the round table of donors covered 93.6 per cent of this total. It should be noted, however, that by 31 May 1983, out of the projects which had been finally evaluated for financing (i.e. $301.6 million) only $10.5 million had been effectively committed (a rate of execution of the order of 3.5 per cent). At the sectoral level the highest rate of execution of commitments is for agricultural projects (20.6 per cent) whereas for transport and communications, buildings and public works and health the figures were 1.1, 3.7 and 8.7 per cent, respectively. This low rate of execution is attributable to the fact that the industrial projects which represent nearly 22 per cent of the investments requested are being re-evaluated for the Round Table on the Industrialization of Cape Verde which will be held in 1984, whereas the financing of infrastructural projects in the field of transport and communications (23 per cent of investments) is in the course of negotiation. At this level Cape Verde is still facing the problem of the inadequacy of the national capacity to identify, evaluate and negotiate projects.

62. It should be noted however that this initial assessment has taken place less than a year after the holding of the Round Table. The favourable development of the volume of foreign aid noted in the past and the actions taken by the Bank of Cape Verde to mobilize the savings of migrant workers makes it possible to envisage the execution of the Plan with optimism.

CENTRAL AFRICAN REPUBLIC

1. Changes in principal macroeconomic aggregates

A. Overall growth and sectoral trends

63. A land-locked country, the Central African Republic has had its domestic production hampered by the high costs of obtaining both expendable products (food and intermediate products) and durable goods. Estimated GDP of 236.3 million CFAF in 1982 (as against 207.8 million CFAF in 1981) showed an increase of 13.7 per cent at current market prices, but in real terms fell 2.9 per cent in 1980, 1.3 per cent in 1981 and 0.2 per cent in 1982. This economic recession has had a significant effect on individual incomes. Per capita income fell 3.7 per cent in 1981 and 2.6 per cent in 1982, when it stood at 63,532 CFAF at 1979 prices.

64. Value added at current prices in the primary sector, which rose 6.9 per cent in 1982 as opposed to 3.4 per cent in 1981, accounted for approximately 33.3 and 31.3 per cent of GDP respectively in these two years. Value added in the secondary sector rose 6.9 per cent in 1982 as compared with only 1.1 per cent in 1981. It accounted for 17.6 per cent of GDP in 1981 and 18.5 per cent in 1982. The tertiary sector, in which value added was estimated at 43.9 and 44.6 per cent of GDP in current francs in 1981 and 1982 respectively, underwent an increase of 15.7 per cent and 7.7 per cent approximately during these two years.

65. In real terms, according to available estimates, value added in agriculture fell by 6.8 per cent in 1981 and 3.5 per cent in 1982. Farming and stock-raising employ almost 80 per cent of the population and supply almost 40 per cent of the country's export income. It should be noted that during the period under consideration the rate of growth in livestock production (1.5 per cent annually) was sharply lower than population increase (2.6 per cent), while production of the principal cash crop, cotton, suffered a yearly drop of about 20.5 per cent. According to these estimates industry, after a deterioration in its situation of 2 per cent in 1981, showed real growth of 1.8 per cent in 1982, a relatively small increase that did not compensate for the slump in farming production and was not sufficient to reinvigorate the economy. The fall in diamond output (345,000 carats in 1982 as opposed to 300,000 carats in 1981) and a severe decline in the electrical industries in 1979 followed by stagnation in 1980 lie at the root of the modest performance by the secondary sector.

B. Domestic demand

66. Public consumption, which grew by 1.9 per cent in 1981, fell by 1.2 per cent in 1982. Private consumption dropped by 1.2 and 0.6 per cent in 1981 and 1982 respectively. Gross fixed capital formation, which fell 2.5 per cent in 1981, seems to have picked up in 1982 with a real rate of growth of 1.7 per cent while the investment rate varied only very slightly over the period: 12.2 per cent in 1981 as against 12.6 per cent in 1983. Imports, after a slight drop (0.2 per cent) in 1981, slid almost 2 per cent in 1982. Exports strongly dependent on agriculture and the mining sector fell by almost exactly the same amounts as the two sectors concerned, 6.3 per cent in 1981 and 4.8 per cent in 1982. This has led to a decline in domestic saving which, at constant 1980 prices, stood at 628 million CFAF in 1981 and 220 million in 1982, well below the level of investment during these two periods.

C. Public finances

67. In 1981 and 1982 the budget deficit was 11 billion and 8 billion CFAF, representing 5.8 and 3.7 per cent of GDP, respectively. In 1981 the country was given a 20 million SDR stand-by credit by the International Monetary Fund and 4.8 billion CFAF in external subsidy to support the State budget.

D. Foreign trade and the balance of payments

68. Export values were estimated at 24.5 billion CFAF in 1980 as opposed to 26.8 billion in 1979. The export estimates for 1981 were for 33.4 billion CFAF, and the forecast for 1982 was 37.3 billion. The overall value of imports in 1981 was estimated at 40.8 billion CFAF, and the forecast for 1982 was 44.8 billion. The trade balance was in surplus until 1978, but since then has shown deficits of 1.7, 14.6, 7.4 and 7.3 billion CFAF in 1979, 1980, 1981 and 1982 respectively. The current account balance was also negative: -21.5 billion CFAF in 1982, as against -21.4 and -37.8 in 1981 and 1980 respectively. The 3.8 billion CFAF overall surplus in the balance of payments in 1979 declined sharply in the following years: -0.5, -0.8 and -4 billion CFAF in 1980, 1981 and 1982 respectively.

2. Major problems and policies pursued

69. The country's major concerns for the years 1982 to 1985 may be summarized as follows:

(i) restoring equilibrium to the balance of payments and to public finances;

(ii) raising the living standard of the population, especially conditions in the countryside and in the areas of greatest hardship;

(iii) trying to establish greater harmony between the development of the towns and the countryside through specific development initiatives in rural areas (reducing the inequalities in levels of development among the different regions).

3. External assistance

70. Public debt and guaranteed debt stood at US$251.2 million in 1981 as against US$262.3 million in 1980. Overall, debt-servicing costs rose from US$2.6 million in 1980 to US$5.8 million in 1981, accounting for 4.5 per cent and 5.8 per cent respectively of export income. According to forecasts for the years 1982-1989, debt-servicing costs in 1984 are [illegible] to be US$20.6 million.

CHAD

1. Changes in principal macroeconomic aggregates

A. Overall growth and sectoral trends

71. For many years Chad has been involved in a civil war that has gradually disrupted the country's economy. Only a few estimates are available, and they are not very reliable. They assess GDP growth at current prices at 4 per cent in 1981 and 5.2 per cent in 1982, after negative rates of growth in 1980 and 1979. In United States dollars, however, per capita GDP diminished by 9 per cent, from $185.5 to $168.7 between 1981 and 1982.

72. Agriculture is suffering the adverse effects of drought and the civil war, which is preventing several farming regions from producing at full capacity. The primary sector - farming, stock-raising and fishing - accounts for half of GDP and supports 80 per cent of the population. It grew by 4.3 per cent in 1982 after being stagnant in 1981. The principal crop is cotton, production of which fell from 85,000 tonnes to 70,000 tonnes between the 1980/1981 and 1981/1982 seasons. The other industrial crops also showed poor results: sugar production, for instance, was 18,500 tonnes in 1981/1982. The position is hardly better for food crops. The 1982/1983 crop year was characterized by an even greater drop in production than the previous year had been. The grain deficit has been put at 136,610 tonnes, and emergency relief is more necessary than ever, while the seed deficit for 1983/1984 is estimated at 3,000 tonnes. In addition to a shortage of grazing land, stock-raising is being affected by rinderpest which caused the death of 360,000 animals in 1983.

73. Real growth in the industrial sector was again negative in 1982, at 12.9 per cent. The development of manufacturing industry is being hampered by a number of problems, the most important being the scarcity of fuel and spare parts, the distance from exporting countries, which raises transport costs, and the small domestic market. Additionally, many companies in the combat zones have suffered damage and been unable to resume working.

74. Chad's mineral resources (uranium, gypsum, kaolin, tin and wolfram) cannot be exploited because of the war and oil production, which was formally 1,500 barrels per day, has had to be broken off. These resources may afford the country some development potential when internal stability is restored.

B. Domestic spending and public finances

75. The 1983 budget calls for 36 billion CFAF to be allocated for spending, with half of that going on defence. Obviously, such a proportion of resources devoted to national defence reduces considerably the amount of productive investment in the rest of the economy, agriculture and industry in particular. The figures show a regression in the growth of fixed capital formation in 1982, and it is feared that the trend may be confirmed in 1983. Furthermore, the already low rate of investment has been declining since 1981.

C. Foreign trade and the balance of payments

76. It is very difficult to ascertain the exact extent of imports and exports, but the figures for 1982 show a very clear slowing in the growth of foreign trade due to the stagnation of economic activity. Exports grew by only 2.9 per cent in 1982 as against 9.8 per cent in 1981, and imports went up by 7.6 per cent as opposed to 20.2 per cent over the same period. Principal exports are cotton and animal products (meat in particular), and imports are largely made up of foodstuffs, energy commodities and manufactured goods. Foodstuffs alone account for almost half the goods imported. No indications as to the status of the balance of payments are available, but in recent years it seems that inputs of foreign capital and assistance for the balance of payments have kept the overall balance in the black.

2. Major problems and policies pursued

77. The main problem confronting Chad's economy is the civil war, which has been disrupting the economy and administration of the country for many years. The first things affected by the disruption of the economy are the distribution of food to the general public, the removal of harvested crops from production centres, and supplies of raw materials and fuel to some existing industrial plants threatened with closure. The first priority in the sectors covered by revitalization measures is still agriculture (especially solving the food problem). Steps have recently been taken to speed up food production: for example, the re-introduction of farm credits for purchases of farm equipment and inputs, the refurbishing of rice-growing projects, preferential allocations from the aid received to peasants growing food crops, and the rebuilding of seed stocks. Animal production has not been neglected: the programme provides for better livestock health coverage, especially after the rinderpest epidemic, diversification of animal production, the protection of grazing lands and an increased number of water points along the transhumance trails.

78. The long-neglected opening up of the Sahelian zone to better supplies of basic necessities is also one of the Government's priority objectives. There are still too few available vehicles, however, and their numbers must be increased if this goal is to be accomplished.

3. External assistance

79. Because of the long war that has ruined Chad, the United Nations has passed several resolutions calling for the reconstruction and restitution of the country. Resolutions 35/92 A and B dating from December 1980 appealed for emergency humanitarian assistance. Among other things, resolution 36/210 advocated a pledging conference to help the country to get its programme of reconstruction under way. The conference was held in Geneva on 29 and 30 November 1982. The priority programme put forward there comprised 120 projects at an estimated cost of 100 billion CFAF. Requests for 27 billion CFAF in assistance for public finances and 100,000 tonnes of provisions in food aid were also submitted. From June 1982 to June 1983 total foreign assistance received (excluding food aid) came to $US 43.2 million, one quarter of the aid received in 1978. Allowing for food aid, the sum total of assistance received was $US 90.6 million at current rates in 1982-1983, as against $US 182.9 million in 1978. The priority programme put forward in Geneva contained a kernel of development projects, together worth 43 billion CFAF, that needed to be carried out as a matter of urgency to foster the reconstruction and restitution of Chad. By June 1983, 15.8 billion CFAF had been spent on reconstruction and development - 37 per cent of the emergency programme. But the bulk of this assistance went on humanitarial aid and running the various administrations.

80. In fact, from June 1982 to June 1983 out of a total of 32.8 billion CFAF in assistance, 29.7 billion, or 90.5 per cent, went on humanitarial aid and keeping the administrations running, and only 3.5 billion (9.5 per cent) was used for development activities.

THE COMOROS

1. Changes in principal macroeconomic aggregates

A. Overall growth and sectoral trends

81. During the period 1981-1983 the overall growth of the economy of the Comoros was marked by a slowing down in the rate of growth of GDP. After being 25.6 million Comorian francs in 1981, the GDP was 30.9 million Comorian francs in 1983, i.e. an average nominal rate of growth of 9.8 per cent, as opposed to 13.4 per cent between 1978 and 1981. This nominal growth corresponds to an annual average growth of GDP at current prices of the order of 4.9 per cent between 1981 and 1983, as opposed to 5.6 per cent between 1978 and 1981, whereas the per capita GDP increased in real terms by only 1.4 per cent per year, rising from 66,323 francs in 1981 to 68,035 france in 1983. This relatively satisfactory rate of growth, given the present international economic situation, was achieved thanks to: (i) a substantial increase in bilateral and multilateral aid; (ii) the reorganization of the public sector which allowed the creation of numerous jobs, thus stimulating internal demand; (iii) the implementation of many infrastructural projects, roads and airports in particular.

82. At the sectoral level, the structure of the GDP has not changed much since 1976. The primary sector - agriculture 75 per cent of gross production, stock-raising 4 per cent, fishing 13 per cent and forestry 8 per cent - remained the dominant sector with about 44 per cent of GDP, 80 per cent of the active population and nearly all the export earnings. Between 1981 and 1983, the value added of the primary sector increased in real terms by 3.4 per cent (as opposed to 5.6 per cent between 1978 and 1981). This slowing down is attributable to a decline in food production and to the reduction in the world prices of the main export products (vanilla, ylang-ylang and copra) which had a negative effect on production.

83. Between 1981 and 1983 the secondary sector - manufacturing industries, electricity, water and gas (5.9 per cent of GDP), buildings and public works (11.1 per cent of GDP grew at an annual average rate of 12.6 in nominal terms (or 2.8 per cent in real terms). This trend is essentially due to a rise in buildings and public works. During the period mentioned, the manufacturing industries remained restricted to the processing and packaging of cash crops (distillation of ylang-ylang, preparation of vanilla, transformation of coconuts into copra etc.). They experienced an annual average rate of growth of 10.9 per cent in value or 3.4 per cent in volume.

Their development was impeded by high costs of production, the smallness of the domestic market and the lack of qualified technical and managerial staff. The recovery of public investments (administrative buildings, roads and airports) made possible a growth in buildings and public works of about 13.6 per cent per year. The tertiary sector - trade (25 per cent of GDP), transport and communications (2 per cent of GDP), public administrations (4.1 per cent of GDP) - experienced a rate of growth in real terms of the order of 6.1 per cent as a result of the substantial increase in the value added by the public administrations (plus 9.4 per cent).

B. Changes in domestic demand

84. The development of domestic expenditure - final consumption and investment expenditures - during the period 1981-1983 was marked by an aggravation of the deficit in resources. After being 33 per cent of GDP in 1981, this deficit rose to 39 per cent in 1983 (as opposed to an annual average of about 27 per cent between 1978 and 1981 or 8.5 billion Comorian francs in 1981 as opposed to 11.9 billion francs in 1983). This trend is mainly attributable to the weakness of food production which entailed massive import of food products and also to the substantial share of imported capital goods in public investments. During the period in question, final consumption grew at an annual average rate of 3.4 per cent in volume (for an annual average rate of demographic growth of 3.6 per cent), whereas the rate of investment rose from 26.5 per cent in 1981 to 31 per cent in 1983 (i.e. 10 per cent per year).

C. Changes in public finances

85. The public finances of the Republic of the Comoros are divided among: (i) federal budget; (ii) budgets of the three governorships; (iii) special treasury accounts; (iv) external extra-budgetary assistance. The consolidated balance-sheet for public finances shows that between 1981 and 1983 there was an overall deficit which rose from 10.3 billion Comorian francs (40.2 per cent of GDP) to 14.5 billion francs (46.8 per cent of GDP). This development is attributable, on the one hand, to a substantial decline in the rate of growth of domestic income (plus 6.2 per cent in 1983 as opposed to plus 31.5 per cent in 1982), which is dominated to the extent of more than 86.4 per cent by customs income (although this have grown only slightly in 1983, and, on the other hand, to an increase of regular and investment expenditure of about 14 per cent. The global deficit was financed in the amount of more than 94.5 per cent from external sources with a preponderance of donations (66 per cent of the

total external financing). Domestic financing, in the form of advances from the banking system, a decline in the net treasury situation and the utilization of treasury deposits by individuals and enterprises remained therefore modest. The bulk of investment expenditure went towards roads and airports (more than 54 per cent of the total) whereas the share of agriculture rose from 5 and 9 per cent in 1979 and 1980 respectively to 14 per cent in 1982.

D. Foreign trade and the balance of payments

86. The foreign trade of the Republic of the Comoros has been marked by a chronic deficit in the trade balance. Between 1981 and 1983 exports, dominated by vanilla, cloves, ylang-ylang and copra (99 per cent of earnings), experienced an annual average rate of growth of 14.2 per cent in value (with a decline of nearly 9.4 per cent in 1983), rising from 4.5 billion Comorian francs in 1981 to 6.4 million in 1982 and 5.2 million in 1983. This unfavourable trend in exports is linked to substantial fluctuations in world prices, to the competition of synthetic products as regards ylang-ylang and to the lack of diversification in the geographical destination of exports (80 per cent of ylang-ylang essence goes to France and nearly all the copra to Madagascar). As for imports, they experienced an annual average rise of 15.5 per cent, mainly because of a strong domestic demand, the implementation of public investment projects and the increased cost of petroleum products. Current consumer goods (food in particular) represented more than 50 per cent of total imports whereas the share of the petroleum products became stable at 20 per cent. The rate of coverage of imports by exports was on the average 54 per cent, whereas the deficit in the trade balance rose from 1.7 billion Comorian francs in 1981 to 2.4 billion in 1983 after a decline of almost 37 per cent in 1982.

87. The deficit in the trade balance was aggravated by the deficit in net non-factor services because of the unfavourable balance in the item "freight and insurance" and "travel". The net non-set-off transfers, which rose from 2.1 billion Comorian francs in 1981 to 3 billion in 1983, covered only half of the deficit in the net services account, the balance of current operations thus increasing by 35.7 per cent during the same period (6.3 billion Comorian francs in 1983 as opposed to 4.7 billion in 1981). The Republic of the Comoros received substantial capital assistance with an average of 31.2 per cent in the form of donations, which allowed the country to show an overall positive balance of payments. However, this balance fell from 1.6 billion Comorian francs in 1982 to only 300 million in 1983.

B. Education, health and housing

88. In the field of education, the rate of enrolment in 1981-1982 was as follows: 72 per cent for primary education (age group 7-13 years), 26 per cent for secondary education, first cycle (13-16 years), 5 per cent for secondary education, second cycle (17-20 years). Because of the high drop-out rate and the substantial number of wastages between cycles, the Government introduced a policy for the ruralization of education in order to ensure professional pre-training at each school-leaving point. The health and housing sectors are suffering from lack of material and human resources.

2. Major problems and policies pursued

89. In the economic field the Comoros encountered the following problems: (i) the island nature and fragmentation of its territory; (ii) the inadequacy and poor quality of its transport infrastructures; (iii) the rudimentary nature of its means and techniques of production (crop techniques, fishing equipment, packaging and processing, low-level of skill of producers, lack of training etc.); (iv) inadequacy of production, consumption and marketing statistics, which makes any development planning operation difficult; (v) shortage of energy, which leads to over exploitation of forestry resources; (vi) smallness of domestic markets which undermines any large-scale production (industry, in particular) and leads to non-competative domestic prices as compared with the prices of imported products; (vii) a chronic deficit in public finances and unfavourable fluctuations in the world prices of the main export products.

90. In order to solve this problem the Government of the Comoros has instituted price-support and credit measures through the establishment of a price stablization fund for each of the export products (vanilla, copra, ylang-ylang and cloves) and a Development Bank. The Government also promulgated an investment code in 1981 to increase the contribution of mainly private investors to the industrial development of the country. The share of infrastructural expenditure in domestic expenditure increased substantially. In order to improve public finances, the Government has taken measures which include the strengthening of recovery services, the control of State expenditure, the improvement of the profitability of public enterprises and the diversification of production activities. At the social level the problems encountered are the high rate of population growth, the persistence of serious epidemics such as malaria and the low employment capacity.

91. The Comoros hope to benefit from the relative fertility of its soil and the humidity of its climate in order to achieve a positive trade balance. By tripling its food-growing area and by exploiting its abundant fish resources it hopes to attain self-sufficiency and even to have an export surplus. It is also seeking the diversification of the geographical destination of its exports.

F. External assistance

92. The achievement of the above objectives requires substantial foreign assistance. Thus, the Republic of the Comoros has prepared a development programme for 1983-1990 of a total investment of 122.6 billion Comorian francs at 1982 prices. It includes an interim plan for 1983-1986 of 75.3 billion francs and was submitted to the First International Solidarity Conference for the Development of the Comoros held in July 1983 at Moroni. The mechanisms of foreign assistance have remained the same as for the other least developed African countries which have low domestic financing capacity, namely: increase of aid to assistance projects for programmes and sectors, support for the balance of payments and the State budget, participation in recurrent expenditure especially for social projects which do not directly generate added value, partial financing of local costs, conversion of former loans into grants or rescheduling of the debt, easing of aid conditions, increase of the share of donations to 80 per cent of foreign aid, period of repayment of at least 30 years and a grace period of at least 10 years. For its part the Government of the Comoros pledges to manage assistance more effectively through the establishment of a Foreign Debt Section in the Ministry of Finance.

93. During the period 1981-1983 the Comoros received substantial foreign aid. This aid more than doubled in 1983 as compared with 1979 (13.8 billion Comorian francs in 1983 as against 6.3 billion in 1979). This development corresponds to an annual increase of about 22 per cent. During the same period 1981-1983, the grant component remained relatively stable (56.6 per cent approximately as the annual average) whereas the loan component rose from 29.2 per cent in 1981 to 37.1 per cent in 1982 and 35.3 per cent in 1983. A substantial proportion of the grants (76 per cent) was in the form of direct aid to projects, whereas budgetary aid declined by close to 10 per cent, from 1.2 billion Comorian francs in 1981 to 925 million francs in 1983. In order to complete successfully the Development Programme for 1983-1990, the Government will have to reduce further the share of loans and reverse the declining trend in budgetary assistance so that it can face the substantial public expenditure involved in the Programme and achieve the figure of 100 per cent of direct aid to projects in the form of grants, recommended in paragraph 70 of the Substantial New Programme of Action.

DJIBOUTI

1. Changes in the principal macroeconomic aggregates

A. Overall growth and sectoral trends

94. In December 1982 the United Nations General Assembly included the Republic of Djibouti in the group of least developed countries. Djibouti's economy is dominated by the tertiary sector (transport and banking services in particular), agricultural and industrial production being very limited. The growth of GDP slowed down considerably in 1982 since it was negative after a growth of 7.3 per cent in 1981 at current market prices. The share of agriculture remains modest with only 200 ha. effectively cultivated out of 6,000 ha. of arable land. Its share in the GDP is very small since the agricultural sector contributes only 6 per cent to its formation. However, this sector experienced a fairly high rate of growth, with 10.3 per cent in real terms in 1982. Stock-raising remains the dominant subsector. Industry, consisting basically of agro-businesses, represents, like agriculture, about 6 per cent of GDP. Its rate of growth, very low, was negative in 1982. Finally, the services sector (transport and banking services) which represent 75 per cent of GDP experienced in 1982 a less favourable trend due to the reduction in trade and international banking transactions.

B. Changes in domestic demand and public finances

95. Since its accession to independence, the public finances of Djibouti have remained in balance on the whole until 1981, producing surpluses which have been invested on international financial markets. Since 1982, however, the financial situation in the public sector has deteriorated as a result of the slowdown in economic growth, which has resulted in a decline in fiscal receipts. Moreover, regular expenditures have rapidly increased because of the increase in subsidies granted to public enterprises and the steep rise in military expenditure. Thus, the deficit in the regular budget was about 0.2 billion Djibouti francs in 1983, whereas the budg t was balanced in 1982 and there was a surplus of 6.5 billion Djibouti francs in 1981. Following this deterioration in public finances, the State reduced its capital expenditures in 1982-1983. Recourse to loans and deductions from banking deposits to finance the public deficit increased the burden of servicing the public debt, which rose from 1.2 per cent of fiscal receipts in 1981 to 2.7 per cent in 1983.

C. Foreign trade and balance of payments

96. Every year Djibouti's trade balance shows a heavy deficit. Since national resources are meagre, the products consumed by households are practically all imported, together with capital goods and building materials. Food products have represented on the average 44 per cent of imports. Exports consist basically of re-exports to African countries. The only exports from Djibouti are live animals and hides and skins. The rate of coverage of imports by exports has not exceeded 1 to 2 per cent. The deficit in the trade balance is mainly compensated for by receipts for services and non-set-off official transfers. The overall balance shows a surplus and official net reserves of foreign currency in the first quarter of 1982 were about 17 billion Djibouti francs or the value of six months' imports. The external debt of Djibouti is modest and represents about 3 per cent of the export of goods and services.

D. Education, health and housing

97. Education in Djibouti is free and non-compulsory. Enrolment in primary schools is 18,930 pupils but, in spite of a substantial rise in these numbers, the rate of attendance is low and is estimated at 30 per cent. There are 4,187 pupils at secondary school. The literacy rate is estimated at 8.8 per cent approximately. The health situation in Djibouti may be summarized in a few indicators: average life expectancy in 1981 was 50 and infant mortality from 0 to 5 years was 232 per thousand. This situation is derived from a standard of living which is still low and from conditions of hygiene and nutrition which are often precarious. It should be noted that two-thirds of the population live in the capital.

2. Main problems and adjustment policies

98. One of the main problems of Djibouti's economy is its very low-level of agricultural and industrial development and its almost exclusive dependence on services (transport and banking) on which means of action are limited, for these activities depend largly on the international situation. The development of Djibouti requires determined actions in agriculture and industry in order to secure self-centred growth.

99. The Government has put forward a development programme based on agriculture and the establishment of industrial units which should allow the country to increase the share of these two sectors in GDP. However, the development of Djibouti will also depend on its foreign relations: the Government plans to develop Djibouti as a great international exchange city within the next few years. However, Djibouti is faced with the problems

of its small domestic market, its lack of skilled manpower and a shortage of domestic resources. A vast campaign against poverty has been undertaken and the coming years should see the rehabilitation of housing in the city of Djibouti and the spread of electrification and piped water among the population. In agriculture, the objective is the achievement of self-sufficiency through the extension of irrigated areas, and the development of projects for intensive crops. But here again the increase in agricultural production is impeded by the aridity of the climate, the reduced availability of water and the lack of physical resources. To implement these different policies, Djibouti organized in November 1983 a conference of donors, in accordance with the Substantial New Programme of Action.

3. External assistance

100. The investment programme submitted to this conference amounted to $570 million and the Republic of Djibouti was able to collect 80 per cent of the financing requested. However, as regards the current assistance to Djibouti, there has been a fairly marked reduction in grants and the volume of bilateral and multilateral aid. The amount of these grants fell from about 11 billion Djibouti francs in 1981 to 5 million francs in 1983.

EQUATORIAL GUINEA

1. Changes in principal macroeconomic aggregates

A. Overall growth and sectoral trends

101. Situated within the Gulf of Guinea, the Republic of Equatorial Guinea comprises a continental area of some 26,000 square kilometres bounded on the north by the Republic of Cameroon and on the east and south by the Gabonese Republic, and a series of five islands the largest of which, Bioko, is the site of Malabo, the capital, and covers an area of 2,000 km^2. Recent changes in the socio-economic situation have been extensively influenced by the country's colonial heritage (specialization in the production and export of raw materials, coffee, cocoa and wood, with never more than 4 per cent of overall output being processed locally; a vast subsistence sector isolated from money flows; uneven standards of transport and communications, income, health and education in the different regions). The adverse effects of this heritage were exacerbated by the difficulties in national economic management that the country experienced between 1968 and 1979.

102. Equatorial Guinea's economy overall showed a negative annual rate of GDP growth in real terms on the order of 10 per cent between 1979 and 1983, with a slight upturn in 1980-1981. The upturn was attributable to the initial reaction by foreign investors to the passage of the Foreign Investment for the Resumption of Productive Activities Act. GDP at current market prices rose from 4,540 million ekwele in 1978 to 4,910 million and 4,930 million in 1981 and 1982 respectively, making for a per capital GDP of 16,484, 16,934 and 16,714 ekwele or $US 215,111 and 109 respectively for the years concerned.

103. At the sectoral level, agriculture remained the principal activity despite the marked falls in output between 1968 and 1979 (85 per cent in cocoa production and 98 per cent in coffee). Agricultural output hinges on tropical subsistence crops (tubers, bananas and maize) and plantation crops (coffee, cocoa and oil palms). It provided 77 per cent of export income in 1982 - $US 13.1 million -despite drops in the overall agricultural output and food production indices of 4.7 per cent and 5.6 per cent respectively. Forestry products, which suffered from a drop in world prices of over 5 per cent, still accounted for 22.5 per cent of total export income in 1982. Forest reserves amount to 1,3000,000 hectares of which 800,000 hectares are not under exploitation as yet. The manufacturing sector remains weak (5.3 per cent of GDP although mining surveys indicate an abundance of polymetallic deposits (notably lead and zinc) and traces of radioactive minerals.

104. Over the period 1979-1983 the rural sector's share of GDP tended to fall, and that of public authorities to rise. These movements are connected with problems in the resumption of farming production and the effort to re-establish the public sector.

B. Changes in domestic demand

105. The prevailing crisis in the productive branches of the economy has led to an unbalanced demand structure. Since 1979 the shortage of resources has exceeded 50 per cent of GDP: it rose from 79 per cent in 1981, at 3,920 million ekwele, to 90.6 per cent and 99.5 per cent in 1982 and 1983 respectively. Over the same period gross domestic capital formation remained very low (a yearly average of 11 per cent of the rate of investment) while the volume of goods and services exported fell. Imports, of foodstuffs in particular, almost doubled between 1981 and 1983.

C. Changes in public finances

106. It is difficult to analyse changes in public finances because budgeting procedures were reintroduced only in 1980 after many years without a budget. It should, however, be noted that the fall in export income due to a general drop in output has deprived the State of resources it needs to run the public sector and maintain the basic socio-economic infrastructure, leading to the departure of foreign technicians for their home countries and the exodus of many national personnel. Negotiations with the International Monetary Fund in 1980-1981 brought about the signature of an agreement under which IMF would place $US 21.5 million at Equatorial Guinea's disposal, the Government undertaking to draw up a balanced budget and exercise discipline in the running of public services and real public control over the use of public resources: this resulted in the establishment of the Economic Policy Executive Committee. In the first, 1981, budget drawn up after the hiatus income was set at 2,731 million ekwele and expenditure at 2,887 million, making a deficit of 156 million ekwele.

D. Foreign trade and the balance of payments

107. Equatorial Guinea's trade balance traditionally shows a surplus thanks to the buttressing provided by cocoa, coffee and raw timber production. Since 1980, however, sharp falls in output coupled with the drop in world prices have led to a virtually permanent deficit, which, from $US 12.5

and 14.5 million in 1980 and 1981 respectively, grew to $US 24.6 million in 1982. The growth in the deficit is due to a marked increase in imports of food, manufactures, and transport vehicles and equipment (rising from 53.5 per cent to 86.3 per cent of the total) accompanied by a slide in exports. This has meant that despite a slower increase in the deficit in the services balance the deficit in the balance of goods and services has grown by over 56 per cent $US 28.2 million in 1982 as against $US 18.0 million in 1981). During the same period net set-off transfers remained small and net capital flows were unable to soak up the current deficit as had been hoped once economic liberalization measures and the Foreign Investment for the Resumption of Productive Activities Act were passed. It should be noted that during this period Spain provided Equatorial Guinea with three lines of credit to support its balance of payments to finance imports and keep its foreign reserves above the $US 12 million level, etc.).

2. Major problems and policies pursued

108. The problem is to get past the bottle-necks created by the colonial heritage and aggravated by the difficulties in managing the national economy that the country faced between 1968 and 1979 - the general slump in production, obsolescent productive capital, the dismembering of the public sector etc. To start production up again the Government launched an "Economic Recovery Programme 1982-84", foreshadowed in November 1979 by the Foreign Investment for the Resumption of Productive Activities Act. These moves were designed to bring about the reconstruction and reorganization of the economy, especially in the public sector, with public backing and involvement in the various programmes of action, to ensure local processing of natural resources in order to derive the maximum added value within the country, and to secure increased external financial support.

109. The problem is also to do away with the colonial heritage once and for all; substantially to increase the monetary incomes of the general public; to exploit the considerable scope for economic and social development afforded by the country's fertile soil, favourable climate and extensive farming and forestry resources, which may serve as the basis for light industrialization, as well as its human capital, which is already at an appreciable level of elementary education; and to make use of the country's hitherto underexploited capacity for foreign debt. A medium-term economic stabilization and recovery programme is now in progress with IMF collaboration, and includes: (i) a return to budgetary practices; (ii) liberalizing imports; (iii) restoring the customs tariff system; (iv) a massive expansion in credit for the private sector and low interest rates on loans for

agricultural projects to re-establish cash crops; and (v) a 100 per cent devaluation in the local currency and an approximately 20 per cent rise in farm wages.

b. External assistance

110. The channels for the external assistance Equatorial Guinea can expect from international bodies are determined by the country's exceptional circumstances, including almost total disorganization at the productive level as well as in the institutional structure and an almost zero domestic financing capacity. The assistance expected in 1982, 1983 and 1984 to support the Economic Recovery Programme therefore needs to be varied and as generous as possible, covering all recurrent costs in the early years of project execution, providing for feasibility studies and preponderantly comprising outright grants; with very long-term loans at low interest rates and highly favourable periods of respite for indirectly productive investment outlays (transport and communications, health and education), medium-term loans with at least four years' grace for immediately productive projects (farming, stock breeding and forestry), technical assistance, and additional support for the State's balance of payments and budget.

111. The 1982-1984 Economic Recovery Programme was presented at the International Conference of Financial Backers for the Economic Recovery and Development of the Republic of Equatorial Guinea, held in Geneva in April 1982. The total sum required is $US 140 million, broken down by year as follows:

	1982:	$US 14 million
	1983:	$US 42 million
	1984:	$US 56 million
and	1985:	$US 28 million

to complete the projects begun during the Programme.

112. External debt servicing while the Programme is in progress should not exceed $US 3.5 million annually, and this will require suitably long grace periods. In the absence of a summary of aid flows since the conference it is not possible to cite figures on how the backers responded to Equatorial Guinea's appeal. Delays in the commencement of several projects nevertheless show that the response has been extremely small.

ETHIOPIA

1. Major macro-economic trends

(a) Overall and sectoral growth

113. The overall growth of the Ethiopian economy was 3.0 per cent in 1982/1983 in real terms as compared to 1.5 per cent growth for the 1981/82 fiscal year. The 1982/1983 recovery was mainly due to (a) the good agricultural performance (b) the resumption in industrial activity and (c) the increase in the services sector from 3.2 per cent in 1981/1982 to 4.5 per cent in 1982/83.

114. The agricultural sector's performance improved in 1982/1983 having recorded a positive growth of 1.3 per cent as compared to a decline of 1.1 per cent registered in 1981/82. This improvement seems related mainly to cash crop production mainly coffee which is estimated to have reached an all time high of 201,000 tonnes in 1982/83. However, the agriculture sector continues to suffer from adverse climatic conditions, some managerial problems, supply bottlenecks.

115. The industrial sector which accounts for about 6 per cent to GDP also recorded a recovery including, in particular, the reactivation of the industrial plants which were originally operating at less than full capacity. The service sector, on the other hand, continues to grow. The sector's most dynamic sectors include wholesale and retail trade as well as transport and communication. The combined growth rate of these sectors is estimated to have reached 4.7 per cent in 1982/83.

(b) Domestic expenditure trends

116. During the period 1981-83, total consumption expenditure represented, on average, 97 per cent of GDP with private consumption accounting for about 81 per cent. Private consumption expenditure which increased by about 8 per cent in 1981/82 declined to 5 per cent in 1982/83 whereas government consumption increased by 7 per cent and 13 per cent, respectively. On the other hand, gross investment which was about 10.8 per cent of GDP declined to 9.6 per cent in 1982/83 due to the fact that private and foreign investments are very small and government had to limit the 1982/83 investments to only the essentila projects. The share of domestic

domestic savings in total GDP declined from 5 per cent in 1979/80 to about 3.0 per cent in 1982/83. As a result, the resource gap increased from 5.8 per cent of GDP in 1980/81 to 6.6 per cent in 1982/83.

(c) Public finance

117. Both government revenue and expenditure continued to show an increase over the years. The 1982/83 budgetary allocation stood at birr 3,322.5 million as compared to an estimated expenditure of birr 2,406.1 million in 1981/82 representing an increase of 36 per cent. Of the birr 3.3 billion planned expenditure 63 per cent is slated to finance current expenditure and the balance to be spent on investment. On the other hand, the government anticipates an income of only birr 2.1 billion in 1982/83 which is 11 per cent higher than the estimated revenue of birr 1.9 billion for the 1981/82 period.

118. In 1982/83, the deficit is, therefore, forecast to reach birr 1.2 billion as compared to a deficit of birr 559 million in 1981/1982. It is expected to cover 45 per cent of the deficit by borrowing from domestic finacial institutions, 20 per cent by external borrowing and 35 per cent by foreign aid.

(d) External trade and balance of payments

119. The exports of goods and non-factor services were valued at birr 852 billion in 1982/83 compared to birr 963 billion in 1981/82. While the two major export items i.e. coffee and hides and skins were not far from their planned targets with the actual plan performance of 95 per cent, the exports of other items was 75 per cent below target. The value of imports amounted to birr 1.6 billion in 1982/83 mainly as a result of the decline in imports of capital goods. The trale deficit of birr 778.1 million was mitigated by private and public transfers amounting to birr 223 million as well as the surplus of birr 110 million for the services account. Thus the overall current account deficit was birr 445.1 million. On the capital account, there was no private long term capital inflow and public long-term capital continued to play a significant role.

120. Overall, the balance of payments showed a surplus of birr 119.9 million in 1981/1982. However, by the end of 1981/82, external debt amounted to birr 2,060 million having increased by 37 per cent over the 1980/81 period level of birr 1,497 million. In 1982/83, the balance of payments showed a deficit of birr 62.9 million due to the fall in the country's reserves.

(e) Education and Health

121. The momentum in the expansion of education and educational services by the government has been maintained. Literacy rate is reported to have increased to 47 per cent in 1982 from 6 per cent in 1979 and a target of 100 per cent literacy is envisaged for 1985/86. Despite the considerable efforts and resources expanded both by the government and the public, through the literacy campaigns, large proportions of school age children did not get the opportunity to do so. Estimates indicate that only about 50 per cent of the elementary, 20 per cent of the junior secondary and 10 per cent of the senior secondary school age children are enrolled.

122. The main objective of the government with respect to health services is to control communicable diseases through activities such as vaccination and the expansion of health services. In 1981/82 about 100 clinics were built by the public and 21 by the government. The plan for 1982/83 calls for the construction of 28 clinics and one health center in each province. Presently only 15 per cent of the rural population are covered by health services. This partly explains the high crude death rate the malnutrition and the prevalence of tuberculosis in the countryside.

. Major Problems and Policies

(a) Short-Term Problems and Policies

123. The Ethiopian economy suffered serious dislocations and a process of economic revival had to be initiated through the annual National Revolutionary Development Campaigns (Zemetchas). These campaigns were aimed at increasing agricultural and industrial production and improving the distribution system in the short-term through increased investment in those sectors. However, several domestic and external constraints have begun to emerge recently. On the domestic front, private investment following the nationalization drive has been highly curtailed so much so that investment is now a sole responsibility of government. Externally, the recession in the OECD countries has resulted in a deterioration of Ethiopia's terms of trade as the export price of coffee declined after the 1976/77 boom and the import price of oil and industrial products increased. It has also limited the amount of loan and aid. As a result, Ethiopia has had to draw down its foreign exchange reserves from Birr 700 million in 1976 to less than 232 million in 1983 representing about one month of imports. The country has also had to curtail its imports significantly.

(b) Medium-Term Problems and Policies

124. Ethiopia's medium-term outlook will depend (a) on how the ongoing stabilization programme to overcome current financial difficulties is carried out (b) the adequate mobilization and allocation of domestic

resources, (c) the reorientation of production and investment towards exports and (d) the level of external assistance to finance an increased investment level. Of crucial importance will be the amount of investment devoted to agriculture, which remains the mainstay of the Ethiopian economy and to the private small-scale industries and handicrafts. Efforts for the development of peasant farming and increased support for small industries should be pursued since state farms are facing many problems and, in any case, account for less than 5 per cent of national grain production. Further, it is not envisaged that large-scale government controlled manufacturing could affect output growth significantly before the second half of the decade. The constraint to total investment is the amount of external capital the country will be in a position to mobilize over the next few years and the amount of domestic savings mobilized.

Review of External Assistance

125. The external assistance in the form of loans increased from Birr 1,114.2 million in 1979/80 to 1,624.3 million in 1981/82. The World Bank group leads all lenders with 38 per cent of the total loan outstanding, followed by OECD countries (28 per cent), the CMEA countries (7.9 per cent) and others (20.6 per cent). In addition to obtaining a rapid increase in loan disbursements, Ethiopia was able to maintain a high level of grant assistance of (about Birr 110-120 million in the last three years. However, total capital inflows were still insufficient and Ethiopia had to draw on the foreign exchange resources accumulated at the time of the coffee boom.

THE GAMBIA

1. Changes in principal macroeconomic aggregates

A. Overall growth and sectoral trends

126. The overall growth of the Gambian economy is strongly dependent on changes in ground-nut production, which accounts for approximately 40 per cent of GDP and over 90 per cent of export income, and on the tourist industry. The poor ground-nut harvests in 1979-1980 and 1980-1981, in conjunction with the political upheavals in the country in July 1981, considerably slowed the growth of the economy. Even so the upturn in these two leading sectors since 1982 led to an increase in GDP at current market prices on the order of 16.2 per cent in 1982 and 10.4 per cent in 1983 as against 5.3 per cent in 1981, or at constant 1980-1981 prices, growth rates of 8.5 and 5.4 per cent in 1982 and 1983 respectively. This slowing in the rate of growth seems to be due to difficulties in reviving other sectors of the economy after long years of economic stagnation. Per capita income grew from 626 dalasi in 1981 to 749 dalasi in 1983, an increase of 11 per cent.

127. The primary sector - farming, forestry and fisheries - remained dominant with 35.7 per cent of GDP in 1983 as against 30.4 and 23.9 per cent in 1982 and 1981 respectively. Value added in that sector increased on average by 38.1 per cent annually, rising from 95.8 million dalasi in 1981 to 182.7 million in 1983. This increase is basically associated with the good ground-nut production brought about by better rainfall distribution, better management in the countryside and relatively high producer prices. Ground-nut production increased in volume by 54.9 per cent in 1983 (rising from 109,000 tonnes in 1982 to 151,000 tonnes in 1983) while the production of both rice and cotton were falling because of dropping water levels in the irrigation basins due to insufficient rains, in the first case, and a fall in yields per hectare on the order of 12.7 per cent in the second.

128. Manufacturing industry, with approximately 6 per cent of GDP, continued to be based primarily on ground-nut processing (shelling and milling) and thus benefited from the good ground-nut seasons in 1982 and 1983. The share of the cotton ginning plants and of hides and skins remained small. The manufacturing sector, which experienced annual growth in its value added on the order of 11.8 per cent over the period 1981-1983, should benefit from the opening of a refrigerated warehouse and a fishing products cannery with an overall capacity of 2,750 tonnes.

129. The tourist industry is the other leading growth sector in the Gambian economy. Thanks to a policy of attracting tourists from a wider range of countries and of offering off-season travel, value added in this sector increased on average by 10.3 per cent per year. Overcapacity is still a problem, however, requiring the introduction of a policy to increase occupancy rates.

B. Changes in domestic demand

130. Available estimates of expenditure in 1983 reveal that the shortage of resources has been reduced by almost half (as a percentage of GDP) from the 1981 figure (17.9 per cent of GDP in 1983 as opposed to 33.1 per cent in 1981). Over the same period final consumption, which until 1981 used to be bigger than domestic production, fell to 95.3 and then 90.4 per cent of GDP in 1982 and 1983 respectively, representing average levels of saving of 0.047 and 0.096. The average investment rate has stabilized at an annual mean of 28.2 per cent of GDP.

C. Changes in public finances

131. The policy of budgetary austerity imposed in 1983 under the stand-by arrangements accompanying an Economic Stabilization Programme with the International Monetary Fund has been jeopardized by the fall in world ground-nut prices of about 18 per cent, which has cut the Gambian Government's revenue by over 21 per cent in spite of the good harvests. As a result, despite the slowing in the annual rate of growth of current expenditure (5.9 per cent in 1983 as opposed to 47.1 per cent in 1982), the ordinary budget deficit was 37.3 million dalasi (compared with a surplus of 3 million dalasi in 1982) or more than four times the size of the deficit shown in 1981. A reduction in investment outlays on the order of 9 per cent followed, the most seriously affected sector being buildings and public works. In total, the overall budget (normal budget plus capital budget), after a deficit of 4.2 million dalasi in 1981, showed a surplus of 9.9 million dalasi in 1982 thanks to 36.8 million dalasi worth of support, 23.8 million from the emergency fund for reconstruction after the events of July 1981 and 13.0 million from STABEX. After this surplus the overall budget showed a deficit of 46.4 million dalasi in 1983, resulting from the fall in world ground-nut prices and the related drop in export levies, together with diminished import capacity linked to the shortage of export income which led to a fall in import taxes and levies. In 1983 the Government suffered a fall in revenue of approximately 23.6 per cent, to 104.9 million dalasi from 137.3 million in 1982.

132. After a drop in the value of exports of almost 37 per cent in 1981 connected with falling ground-nut production, there was a slow recovery in 1982 (3.4 per cent, to 42.3 million dalasi) and then a surge of 73 per cent in 1983 (to 73.1 million dalasi). It should, however, be noted that although the volume of ground-nut products exported over the past year doubled, the effect in terms of value was an increase in export income of a mere 13 per cent, due in part to the drop in export prices that in fact represented a 15-per-cent reduction in export purchasing power. Re-exports accounted on average for 37 per cent of exports over the period 1981-1983.

133. Imports declined between 1981 and 1983 at an average yearly rate of 1.3 per cent. This trend can be attributed to the low import capacity resulting from the low level of foreign reserves. The slump in exports and this reduction in imports together reduced the deficit in the trade balance by 29.4 per cent (35.8 per cent if allowance is made for unofficial border trade).

134. The balance of payments remained in deficit throughout the period. The current account deficit varied between a minimum of 132.3 million dalasi in 1983 and a maximum of 174 million dalasi in 1981. On average almost 77 per cent of these deficits were covered by net capital flows. The overall balance-of-payments deficit rose from 18.7 million dalasi in 1981 to 48.9 million dalasi in 1983, in part because of delays in settling the bills for imports already delivered to the Gambia. It has largely been financed by drawings on IMF.

Education, health and housing

135. The educational sector has had to deal with a rapid increase in the school-age population associated with fast urban growth, and a high level of unemployment among young secondary-school leavers in view of the limited resources at the Government's disposal, which are restricting the absorptive capacity of the public sector. The school population grew at a mean annual rate of 11.3 per cent between 1981 and 1983, from 43,434 to 53,774. The health sector received a considerable amount of outside funding from WHO and elsewhere and continued to focus on primary health care and maternal and child welfare. The level at which housing and basic infrastructural requirements - electricity, drinking water etc. - were met remained very low because of a rapid rise in demand due to rural exodus and the reduction in public investment in this area.

2. Major problems and policies pursued

136. The major problems suffered by the Gambian economy stem basically from the country's high degree of dependence on a single marketable commodity, ground-nuts, which with more than 40 per cent of GDP and almost 90 per cent of export income affects the growth of all sectors of the economy - transport, the manufacturing industries based on ground-nuts, the social sector, buildings and public works through the large proportion of public investment in them, the level of which is strongly correlated with the extent of export levies, and the external sector through the level of foreign reserves. Thus, as mentioned above, to sustain farm output, ground-nut production in particular, during persistent drought cycles and years when harvests are good but world prices are low the Gambian Government has developed the practice of announcing producer prices well above world rates, and doing so before the onset of the sowing season, thus creating a chronic budget deficit which has in turn restricted efforts to redirect public investment towards other productive sectors. To cover this deficit, until the recent signing of the agreements with IMF, the Government drew upon bank lending at home and support from STABEX. The balance of payments has similarly remained in chronic deficit, and the shortage of foreign reserves has made it impossible to import sufficient quantities of some commodities (including fuels) and capital goods vital to the proper functioning of the economy and the start-up of important development projects.

137. To reduce dependence on the outside and cut down on imports of foodstuffs, extensive rice-growing projects are now in progress. The agreement with IMF, which gave the Gambia 10 million dalasi in support for its balance of payments, entails an undertaking on the part of the country to apply a strict budgetary policy (reorganization of the fiscal dues collection system, control over public spending, and a quarterly review of the Government's indebtedness to the banking sector with a prior ceiling imposed. Monetary policy has thus remained heavily dependent on the terms of the agreement with IMF, particularly where credit is concerned (credit curbs, and loans restricted to the essential requirements of the productive sectors).

3. External assistance

138. The second five-year Plan for Economic and Social Development, 1981/82—1985/86, requires additional external assistance. The conditions under which this assistance needs to be made available are the same as for other least developed countries (a preponderance of outright grants, loans on terms as generous as possible, assumption of the recurrent and local costs of the projects

selected etc.). The Gambia is hoping for a favourable response from international bodies to its appeal in view of the commitments given by financial backers at the Paris Conference on the Least Developed Countries and the special attention being given to the Sahelian group of countries of which it forms part. Failing a favourable response, development outlays on new projects will have to be cut in favour of the operation and maintenance of existing ones. A round table of financial backers is planned for the last quarter of 1986.

139. Debt-servicing obligations sextupled between 1981 and 1983. In value terms they remained modest, however, partly because of the large concessionary aid component. The rapid growth over this period is due to the fact that a large number of loans came to term. In 1983 external debt-servicing costs came to 14.6 million dalasi, or 20 per cent of export income.

GUINEA

1 Major Macro-Economic Trends

(a) Overall and Sectoral Growth

140. The Guinean economy is reported to have grown by 3.7 per cent in real terms in 1981 and by 5.1 per cent in 1982 as compared at only 1 per cent per annum achieved during the whole 1976-1980 period. This was possible thanks to the good performance achieved in the agricultural sector which constituted 36 per cent of GDP and which grew by 27 per cent in 1981 and by 3.1 per cent in 1982. The value added in mining industry composed of mainly bauxite mining has virtually remained stagnant during 1981-1983at about 4.4 per cent of GDP, whereas the manufacturing industry value added averaged around 3 per cent of GDP. The services sector is estimated to have grown by 5 per cent yearly during 1981-1983 with its share remaining, however, virtually the same (35 per cent of GDP).

(b) Domestic Expenditure Trend

141. Total consumption reached 85 per cent of GDP in 1982, implying a saving rate of 15 per cent of GDP. Investment decreased by 1.2 per cent to reach an average of around 13 per cent of GDP. Exports of goods and services which accounted for 14.6 per cent of GDP increased by 8.1 per cent while imports rose by only 2 per cent and reached 12.3 per cent of GDP. Thus, there was a resource surplus of about 2.3 per cent of GDP.

(c) Public Finance

142. The public sector occupies an important role in the Guinean economy, particularly in trade, industry and services. However, the consolidated public sector recorded significant deficits of Sylis 0.5 billion in 1979 and 3.6 billion in 1980 as a result of an excessive increase in expenditure and a fall in revenues. Total expenditures increased by 35 per cent while total revenues decreased by 15 per cent. More than 75 per cent of such expenditures originated from the increase in salaries, material expenditures and transfers. In fact, in 1979, the government transferred Sylis 6.2 billion to public enterprises in order to enable them to finance their debt vis-a vis the banking system. In June 1980 there was also a general increase in wages and salaries which amounted to Sylis 350 million and a special transfer to public administration of Sylis 308 million to compensate local tax suppression. For the period 1980-1982, the public sector expenditures declined by about 10 per cent per year as a result of reductions in the capital expenditures while revenues remained stagnant. This has resulted in a slight reduction in the budget deficits of the overall public sector.

(d) External Trade and Balance of Payment

143. Guinean exports which are dominated by 97 per cent of mining products (Bauxite) and 3 per cent of agricultural products increased from Sylis 3.2 billion to 3.5 billion in 1982 or by 9.4 per cent at constant 1970 prices. On the other hand, the value of imports increased by only 2 per cent to Sylis 2.9 billion. However, the trade surplus of Sylis 555 million in 1982 was absorbed by the deficit of net services and transfers such that the current account balance was in a deficit of no less than Sylis 1.5 billion. This deficit was covered by capital movement from both official and private sources so that the overall balance of payments showed a slight surplus.

(e) Education and Health

144. Education in Guinea is provided under four complementary forms:

1) The school system which aims at providing a high level of training to all the children of school age 2) the professional recycling and advancement for public sector employees 3) Literacy courses for adult population and 4) programmes for civic, moral and ideological training for the population at large. Student population increased from 42,543 in 1958 to 252,100 in 1978/79 for elementary school, from 2,547 to 89,947 for secondary school and from 0 to 23,196 for university and institutions of higher learning. The difficulties encountered by the government in providing job for school leavers have resulted emphasising practical and technical training programmes throughout the country.

145. Available health data indicates that malnutrition, infections and parasitic diseases as the major causes of mortality and morbidity in all age groups. However, the government has made tremendous efforts to improve this situation. In 1979, there were 22 hospitals as against only 2 in 1958, 460 medical doctors (of which 90 per cent are Guineans) against 58 in 1958 1120 medical assistants against 1 in 1958, and 6858 hospital beds. Hence, the general mortality rate has fallen from 27.7 per thousand in 1960 to 20.7 per thousand in 1980 and life expectancy increased from 36 to 43.5 years.

2. Major Problems and Policies

(a) Short-term Problems and Policies

146. The problem of hoarding cash by several businessmen and industrialists has recently hit the Guinean economy to such an extent that the government has threatened to devaluate the Sylis as recommended by IMF. A one-month deadline has been given to the public at large and to small scale industrialists to deposit their currency in the banks. The government also intends to

make some fiscal adjustments that would accomodate government expenditures in order to allow a better functioning of the public services.

(b) Medium-Term Problems and Policies

147. The inability of the Guinean Sylis, in the face of the public sector rigidity introduced by extensive bilateral trading arrangements, relatively high inflation and other structural constraints are among the factors which have hampered the good performance of the Guinean economy. The bottlenecks in the movement of foodstuffs from the countryside to towns within Guinea has encouraged illegal trading with neighbouring countries. The lack of adequate price incentive for farmers has weakened agricultural production. However, it must be emphasised that there are now signs of a reappraisal of policies to remove some of the structural rigidities. It is therefore, hoped that the impact of the recent policy changes towards increasing the role of the private sector in the economy and diversifying trade partners will result in a better performance in all the sectors.

3. Review of External Assistance

148. Guinea plans to hold its first Round Table Meeting of external aid later in 1984. Already the total investment realised during the 1973-1978 plan amounted to Sylis 29.9 billion of which 41.8 per cent were financed by domestic resources and 58.2 by external resources. The five-year plan 1981-1985 scheduled an investment programme amounting to Sylis 32.0 billion, of which Sylis 13.0 billion (41 per cent) had to be financed from domestic resources and 19.0 billion (59 per cent) from external borrowing and grants. In a pre-revies meeting of external donors held in Geneva, it was suggested that a short-term rehabilitation programme was needed to deal with the structural reforms aiming at stimulating agricultural and industrial production and promoting exports. Priorities in such a programme would be given to (a) the completion of on-going projects for which financing was not fully obtained, (b) the rehabilitation of priority infrastructures and essential economic services, (c) the rehabilitation of present productive installations and services with the view to improving the utilization capacity (d) the maintenance of priority infrastructures and essential economic services, (e) making allowances for private initiative to complete the public investment particularly in the field of small and medium-scale enterprises. This rehabilitation programme was the first step of any attempt to design the medium or long-term investment programme for Guinea.

GUINEA-BISSAU

1. Changes in principal macroeconomic aggregates

A. Overall growth and sectoral trends

149. A quantitative analysis of the economy of Guinea Bissau appears difficult because of the lack of recent statistics. The few statistics available indicate a growth of GDP at current prices of 12.3 per cent in 1981 and 12 per cent in 1982.

150. The agricultural sector, which provides 51 per cent of added value, stagnated in 1982 and grew only slightly in 1981. Like the other countries of the region, Guinea-Bissau suffered from the drought in 1979 and 1980, which caused a sharp drop in the main productions. In 1981 and 1982 the rains were more abundant and a general increase in agricultural production was recorded. The production of rice, which is the staple food crop, rose from 34,000 tonnes in 1980 to 80,000 tonnes in 1981. The production of other foodstuffs (sorghum, millet and maize) also increased and that of ground-nuts rose from 20,000 to 30,000 tonnes. In Guinea-Bissau only 8.2 per cent of the land is cultivated, whereas 30 per cent is considered to be cultivable. However, about 73 per cent of the land now cultivated is devoted to food crops. In 1982 in spite of good harvests, the food deficit was estimated at 64,000 tonnes. Guinea-Bissau, 65 per cent whose territory is covered with forest, possesses considerable timber resources which, if they were better exploited, could make a greater contribution to the GDP. Finally, fishing remains the most dynamic activity. It provides 35 per cent of the country's exports. The small industrial sector represents only 7 per cent of GDP. Its growth, in real terms was 3 per cent in 1981 but in 1982 declined sharply, with a negative rate of minus 4 per cent. Development of this sector is impeded by a number of obstacles including the low level of investment, the lack of raw materials and the inadequacy of demand. In 1982 the rate of investment reached 18 per cent approximately and the growth of fixed capital formation was 3.4 per cent during the same period.

B. Foreign trade and balance of payments

151. Food imports rose from $10.7 million in 1980 to $15.1 million in 1981 representing 28 per cent of total imports. The large share of food aid should be noted. Imports of capital goods have declined together which those of building materials, as a result of a reduction in the investment programme.

152. Exports, whose growth was weak in 1981, rose from $11.3 million in 1980 to $14.1 million in 1981. The total amount of exports is less than a quarter of imports. In 1981 the deficit in the trade balance was $39 million.

153. In 1981 there was a deficit of $3 million in the overall balance. The flow of capital over the medium and long term increased considerably in 1981 and the external debt over the medium and long term attained $150.5 million in 1982 and the service of this debt represented 7% per cent of the value of exports in 1981.

. Main problems and adjustment policies

154. In February 1982 the Council of Ministers adopted a Plan for economic and social stablization with a view to reducing the external deficit, re-establishing the general economic balance and taking advantage of natural and human national resources. Thus, projects for the development of bauxite production in the Boé region and for oil prospecting were undertaken. The development of communication infrastructures (roads and ports) and the boosting of agricultural production by support measures (pricing and credit policies and warehouse installations) in order to reduce the food deficit are the priorities of the economic and social stablisation plan. The large and still undeveloped potential of the country is an important advantage for its future development.

LESOTHO

Major Macro-Economic Trends

(a) Overall Growth Trends

155. Due to Lesotho's geographical location and economic dependence on South Africa its overall economic performance during 1981-1983 has been affected by conditions obtaining in the South Africa which provides a market for over 90 per cent of Lesotho's exports and provides over 95 per cent of the total import requirements.

156. The growth of GDP in current prices increased from M272.8 million in 1981 (which is a slight improvement over the 1979/80 levels of M260.6 million) to M308.3 million in 1982 or an increase of about 13 per cent. Real growth in GDP declined from a level of 3.5 per cent in 1981 to 2.2 per cent in 1982 due mainly to the poor performance of the mining and construction sectors. Real incomes, which grew rapidly in the 1970s as a result of the tripling of real wages of Lesotho's migrant labour force who repatriate a substantial portion of their earnings declined considerably due to South Africa's policy to reduce dependence on migrant labour.

(b) Sectoral Performance

157. The expansion of the agricultural sector remains a priority of the government as to reduce the country's heavy dependence on imported food from South Africa and to raise rural incomes. However, due to adverse weather conditions especially the drought of April 1982 and the extreme high temperatures experienced between November 1982 and February 1983, agricultural production in general and food production in particular markedly deteriorated in 1982/83. This resulted in increased maize imports of over 50,000 bags a year during the period or about 25 per cent of domestic output, in addition to imports of wheat, meat and diary products.

158. The growth performance of the manufacturing sector has also been disappointing over the years due to the worsening situation in the wool processing industries, the major manufacturing activity as a result of the decline in animal production. In 1982 the share of manufacturing in GDP declined from 4.6 per cent in 1981 to 4.1 per cent. However, employment creation efforts have been continued and the Lesotho National Development Corporation (LNDC) has been able to establish 26 subsidiaries with an employment of 1800 and 15 associated companies employing 2000. A comprehensive investment package has been offered to potential foreign-private investors and the Land Act of 1983 allowed non-nationals to directly lease industrial and commercial land for a period of 60 years.

159. The mining sector is relatively small and is dominated by the production of diamond to principal mineral and the main export earner. The average growth rate of mining declined in 1981/82 to 1.1 per cent from a level of 4.9 per cent in 1980/81. This is attributed to the winding of the operations of the major diamond mining company in 1982 which was facing increased losses due to the fall in diamond prices. In the energy sector, all power and oil requirements of Lesotho are supplied from South Africa although such vulnerability is being guarded against through the establishment of a major hydroelectric scheme at a cost of US$1,375 million.

(c) Domestic Expenditure Trends

160. Gross fixed capital formation at current prices which was at a level of M87.6 million in 1979/80 registered an average growth rates of 2.3 per cent in 1980/81 and 1.7 per cent in 1981/82. Growth in private consumption decelerated in 1981/82 to 2.9 per cent from a level of 3 per cent in 1980/81 while public consumption increased considerably from 2.7 per cent to around 8.5 per cent during the same period. The performance in domestic expenditures, particularly in capital formation can be explained by the general slow down in economic activity in 1982 as a result of government expenditure cuts and stagnation in bank credit and the overall liquidity squeeze.

(d) Public Finance

161. Total actual recurrent revenue in 1982/83 was around M132.9 million or 96 per cent of the budget estimate of M138.5 million. This satisfactory performance in recurrent revenue is attributed to the increased customs receipts from the revenue sharing arrangement under the South African Customs Union with the BLS states. The total recurrent revenue, including grants (M9.2 million) and Donor Agency lending (M18.4 million) amounted to M160.5 million in 1982/83. Total expenditure was M198.1 million of which recurrent expenditure accounted for M99.9 million. Due to tight expenditure controls the Government was able to reduce the budget deficit to M37.6 million in 1982/83 or M16.1 million below the estimated deficit of M53.7 million. Expenditure savings were realised through a freeze on Government employment and development expenditure declined as the Government continued to implement a policy of consolidation and austerity. The recurrent budget is heavily dependent on the flow of customs revenues constituting 58 per cent of recurrent revenue in 1982/83. A high proportion of the capital budget is from foreign aid and concessional development loans. For 1983/84, a total budget of M305 million is envisaged, which is an increase of 13.3 per cent in current prices over the 1982/83 level.

(e) External Trade and Balance of Payments

162. The trade deficit has increased persistently since 1977 from a level of M187.2 million of M418.7 million in 1981. The deficit in the trade balance is attributed mainly to the decline in the value of exports resulting from the decline in the value of diamond exports. In 1982, the value of diamond exports was M15.2 million as compared to M18.2 million in 1981 or a drop of around 8 per cent which is highly significant since diamond is the country's principal export commodity. Imports increased from M360.8 million in 1980 to M463.2 million in 1981 or 24 per cent due to an increased volume of imports of food grains as the country experienced a poor harvest of its principal staple foods of maize and wheat. Lesotho's external trade and balance of payments situation is highly dependent on transactions with South Africa. The large and growing deficit on visible trade is balanced by inflows of remittances from Lesotho's migrant labour force in South Africa and in recent years by private capital flows. However, in 1982, the current account deficit declined slightly from the level of 1981 although it was still twice the level of M36 million recorded in 1979. Nonetheless, if short-term borrowing is excluded from the overall balance of payments, there is a large deficit in both 1981 and 1982. Another feature of Lesotho's balance of payments situation is the medium and long term public debt which increased at an average rate of 50 per cent per annum between 1975 and 1979 resulting in a disbursed debt of M106.9 million by 1981. In 1981/83 debt service as a percentage of recurrent expenditure began to increase markedly reaching a level of 33 per cent in 1982/83 as compared to a debt service ratio of around 10.8 per cent in 1981.

(f) Education, health and housing

163. The main objective of Lesotho's overall education policy is aimed at improving the efficiency of the educational system qualitatively and quantitatively in relation to the resources available. In formal education, the third plan envisages raising the proportion of primary schools offering from 40 to 60 per cent and to increase the number of primary school teachers by 40 per cent from the 1979 level of 3,100 trained teachers. Greater emphasis is also placed on science and mathematics at the secondary level in order to meet the country's middle-level manpower requirements. Education will receive M25.8 million or 23 per cent of total budgeted expenditure in 1983/84.

164. In health, the emphasis is to achieve a wider coverage of primary health care which entails the provision of material and child health services, family planning, immunization, sanitation and curative services.

The share of the health sector in the 1983/84 recurrent budget is M.8.8 million. Due to the low population and high migration of Basothos to neighbouring South Africa and other countries in search of employment opportunities, the intensity of housing problems in the urban areas is not very acute. However, it is the policy of the Government to ensure decent housing conditions throughout the country.

II. Major Problems and Policies

165. Lesotho's geographical proximity to South Africa and its landlockedness coupled with erratic climatic conditions has created special economic problems for the country. The winding up of a major diamond mining operation in 1982 and the current policy of South Africa to reduce migrant labour have put pressure on the government to provide employment opportunities for the redundant workers and the growing active labour force in Lesotho. The stagnation of the agricultural sector due to adverse weather conditions necessitated increased food grain imports. The country is also dependent on South Africa for all its power and oil requirements which is very costly since South Africa itself relies on spot oil markets.

166. The Government has taken various measures and enacted policies aimed at remedying the above situation. In order to reduce the country's dependence on customs receipts as the main source of revenue, the Government introduced a sales tax in December 1982 which netted an estimated M4 million in 1982/83. In the agricultural sector, priority has been given to the food self-sufficiency programme with a capital budget provision of M9.6 million in 1983/84 which is a sizeable increase over the 1982/83 appropriation of M5 million. The Government continues to pursue its policy of consolidation and restraint, designed to ensure prudency in the management of the country's financial resources.

III. Review of External Assistance

167. In the context of implementing the Substantial New Programme of Action (SNPA), Lesotho's immediate assistance requirements for the period 1982/83-1983/84 was estimated at M37 million to implement projects in the areas of water resources development, rural and social infrastructure, employment generation, agriculture and mineral resources development. For the medium and long-term, the external assistance required is estimated at M40 million and M79 million, respectively. The country intends to organize a Round Table Conference with donors with the assistance

of the UNDP in 1984 in order to mobilize the requisite external assistance from the donor community.

168. In 1982/83, actual development aid obtained by Lesotho amounted to M27.6 million of which grants accounted for M9.2 million and development agency lending was M18.4 million being 19.3 per cent and 29.3 per cent respectively of the budget estimating for that period. This was a significant achievement as it consitituted about 73 per cent of Lesotho's immediate assistance requirements noted above. For 1983/84, total development aid is budgeted at M99 million of which grants account for M59 million and loans M40 million. The flow of these resources will depend on the actual disbursement of donor commitments and potential pledges that will come out of the country's Review meeting.

MALAWI

Overall and Sectoral Growth

169. For the last three years, the Malawian economy was experiencing severe economic and financial difficulties. After seriously deteriorating from 5.5 per cent growth in real terms in 1979 to less than 1 per cent in 1980, the economy passed into a clear recession with GDP declining by 0.8 per cent in 1981. Numerous factors had contributed to this malaise including adverse weather conditions, soaring inflation the declining export prices and terms of trade, higher transport costs due to disruptions to the traditional transport routes, higher foreign borrowing on commercial terms and the increase in international interest rates.

170. Agricultural production, registered a drastic decline of 5.4 per cent in 1980 due to the drought conditions of 1979 and 1980 but showed a recovery in 1981 when it recorded a 3.6 per cent annual increase in real terms. The 1981 good performance was mainly attributed to improved productivity in small holdings since estate agricultural production experienced a marked decline of 4.5 per cent compared to the excellent performance record of 5.6 per cent attained in 1979.

171. Manufacturing output decelerated in 1980 and 1981 with output growth dropping to half and then to a quarter of the remarkable growth of 6.5 per cent achieved in 1979. The profound decline of agricultural production in 1980 was the basic cause behind such poor performance in 1981. Similarly, the output of the construction sector fell by 20.1 per cent and distribution, transportation and financial services all contracted by about 7 per cent in 1981.

Expenditure of GDP

172. The structure of domestic demand has not shown considerable changes over the years. Total consumption, continued to account for around 86 per cent of the total expenditure on the domestic market. However, the share of gross fixed capital formation in total GDP has declined significantly in recent years having fallen from 25.7 per cent in 1980 to 16.8 per cent in 1982 despite the rapid increases in government development expenditure. Domestic savings, on the other hand, fell from 14.9 per cent of GDP in 1979 to 11.9 per cent in 1980, but rose again to 13.5 per cent in 1983.

Public Finance

173. The budgetary situation has experienced a slight improvement in 1982/83. The overall deficit on the budget declined from 11.2 per cent in 1981/82 to 7.3 per cent in 1982/83. Recent measures and efforts to restrain the growth of demand were believed to have brought about the narrowing of the budget deficit.

Total expenditures fell from 30.7 per cent of GDP in 1981/82 to 27.2 per cent in 1982/83. Unfortunately revenue has also shown a downward trend with its share in total GDP declining by 1.8 percentage points in 1982/83. Nevertheless, the increases in revenue of around 7 per cent in 1982/83, accompanied by a reduction in the volume of expenditure of 2.2 per cent led to a noticeable improvement in the overall deficit in that year. It is, however, worth mentioning that while development expenditure was maintained at the level of the previous year, most of the reductions in total expenditures resulted from cuts in the recurrent expenditure.

External Trade and Balance of Payments

174. The performance of the foreign sector in recent years has been in many respects disappointing. The imbalance on the merchandize account has been constantly rising thus leading to growing current account deficits. The balance of payment position was strained by the escalation of import prices which increased by over 60 per cent between 1977 and 1981. This has been aggravated by the necessity to use transport routes that are longer and more costly.

175. The decline in agricultural production constrained the export supply capacity. On the demand side, world recession depressed export prices which experienced a decline of over 40 per cent for the major export crops like tobacco. As a result, the current account deficit deteriorated sharply from 7 per cent of GDP in 1977 to 18 per cent in 1980. The resource gap became too wide to be covered by increased capital inflows. It was estimated that the continuous drain on foreign reserves reduced their level to only two months of imports in 1981 as compared to the level of 5 months of imports realized in 1977.

Major Problems and Policies

176. The Malawi economy in recent years has been experiencing a slow down in most of its activities. The drought conditions in 1979 and 1980 not only adversely affected agricultural production but also constrained industrial production. The rapid growth in government expenditure together with the deterioration in the terms of trade have led to soaring inflation, increased budgetary deficits, growing balance of payments pressures and higher foreign borrowing on commercial terms.

177. In an effort to redress the economic crisis which began in the late 197o's, the government introduced a mid-term stabilization programme covering the period 1981/82 - 1985/86. This was further supported by a two-year standby arrangement from the IMF and a structural adjustment programme (SAL) from the World Bank. The stabilization programme included government

policy action to improve incentives for export production through increased prices and diversification of foreign exchange sources. The supply-oriented policies included the stimulation of agriculture and development of new crops and accelerating small holder export crop growth through improved incentives, marketing organization, and timely procurement and distribution of strategic inputs. On the demand side, the policy issues included the slowing down and restraining of demand, especially for imports. The policy actions, in this regard, included the narrowing of the budget deficit to a level consistent with a sustainable balance of payment deficit, availability of sufficient domestic credit for private sector expansion, periodic adjustment of the rate of interest to reflect changes in price level,aand maintaining interest rates at least equal to the underlying rate of inflation.

178. To bring immediate improvement in the foreign sector, the Malawi Kwacha was devalued by 15 per cent in April 1982. Such currency adjustment aimed at rationalizing import demand, boosting diversification, expanding import-sbustitution, and providing increased price incentives for export products.

Review of External Assistance

179. For the period 1983/84 - 1985/86, the government has prepared a detailed public sector investment programme to the tune of K 531.6 million. The total foreign component accounts for about 83.7 per cent of the total programme requirements. About 86.3 per cent of the total foreign component has been funded with 100 per cent being financed in the base year 1983/84, 87 per cent funded in 1984/85 and 77 per cent funded in 1985/86. About K 61 million still remains for additional support and financing from external sources. Besides the required amount for the structural adjustment period, the government, has also prepared a detailed programme up to 1988/89 which calls for support from international partners.

MALI

1. Changes in principal macroeconomic aggregates

A. Overall growth and sectoral trends

180. Essentially an agricultural country, Mali is suffering from deep economic and financial imbalances due in the main to:

(a) persistent, now endemic drought;

(b) falls in some types of farming output, accompanied by deteriorating terms of trade for most raw materials; and

(c) inadequate economic management at a low point in the world economic situation. The difficulties that beset economic and financial activity in 1980 and 1981 continued in 1982, when rainfall was barely average, despite the recovery measures put into operation by the Government, and in 1983 which saw the return of drought as severe as in the 1983.

181. The result of these difficulties has been a fall in output and gross domestic product. Gross domestic output at constant 1980 prices fell from FM 538.8 billion in 1980 to FM 510.1 billion in 1981 and FM 490.4 billion in 1982, an annual decline of 3.6 per cent. Over the same period GDP at market prices - constant 1980 prices - fell from FM 601.0 billion in 1980 to FM 583.1 billion in 1981, a drop of 3 per cent, and to FM 585.4 billion in 1983.

182. Accordingly, per capita GDP, which had stood at $US 147.2 in 1980, was only $US 130.6 in 1981 and $US 96.3 in 1982. Despite a slight recovery in 1983 per capita GDP will scarcely exceed $US 102, well below its 1980 level.

183. The proportion of GDP accounted for by the primary sector in 1980, 1981 and 1982 was 27.2, 28.6 and 32.1 per cent respectively. The growing contribution by the primary sector, which in fact underwent sustained growth on the order of 6.3 per cent yearly throughout the period, did not always make up for the declining contributions from the secondary and tertiary sectors, which have been deteriorating continuously. The secondary sector's 12.6 per cent share of GDP in 1979 fell in 1980, 1981 and 1982 to 12, 11 and 10 per cent respectively. The tertiary sector, from 62.0 per cent in 1979, fell in turn to 60.8, 60.4 and 57.9 per cent in 1980, 1981 and 1982. Over the period activity in the secondary sector declined sharply, at an annual rate of 3.5 per cent, in contrast to a very modest annual growth rate (1.2 per cent) in the tertiary sector.

184. Farming output was dominated by millet, sorghum, maize and rice among the cereals and by ground-nuts and cotton among the industrial crops. It remained heavily dependent on climatic conditions which, unfortunately, have not been favourable for several years. The chief types of production have stagnated or declined since 1979 despite an increase in the areas under millet: for example, a drop of 4.1 per cent in maize, a rise of 27.2 per cent in 1981 followed by a drop of 2 per cent in cotton in 1982, and a drop of 21 per cent in ground-nuts in 1981. The average rate of decline in farming output was around 7.6 per cent yearly. Farm income support measures (price increases of 24.4, 26.9 and 22.4 per cent respectively for millet, maize and rice growers) proved inadequate to revive or even simply maintain production levels.

185. During the period under review industrial output sagged in spite of the slight rise in 1982: an average yearly decline of 4 per cent between 1977 and 1981 as against a rise of 6.5 per cent in 1982. The leading industrial entities (textiles and foodstuffs) suffered declines of 6.5 per cent per year.

B. Domestic demand

186. Final consumption grew at a rate of 3.2 per cent. At constant 1980 prices, gross fixed capital formation showed a decline of 0.8 per cent, falling from FM 95.3 billion in 1980 to FM 93.8 billion in 1981, when it amounted to only 15 per cent of GDP as opposed to 15.8 per cent in 1980. Gross domestic saving decreased from FM 5.8 billion in 1980 to - 8.3 billion in 1982, showing that the investment effort was supported essentially by external finance.

C. Public finances

187. The budget deficit was reduced considerably, from FM 20 billion, or 3.3 per cent of GDP, in 1980 to FM 10.3 billion, 1.6 per cent of GDP (compared with a forecast of FM 17.7 billion) in 1981, then to FM 10 billion, or 1.4 per cent of GDP (compared with a forecast of FM 14.9 billion), in 1982. The extent to which budget outlays were covered by regular receipts thus rose from 75 per cent in 1980 to 89 per cent in 1982. These results were due to a larger increase in regular receipts than had been expected, and to tight control over public spending as part of the campaign to tidy up public finances under the structural adjustment programme drawn up in co-operation with the International Monetary Fund.

D. Foreign trade and the balance of payments

188. At current prices, the balance on current account swung from a deficit of FM 102 billion in 1980 to FM 129 billion in 1981, then improved slightly to FM 123 billion. The large deficit is chiefly due to the trading deficit, which reached FM 125 billion in 1981 from FM 99 billion in 1980. In 1982 it stood at FM 123 billion. In 1981 exports were off 14.5 per cent. In 1982 they rose by 12.4 per cent, as against import growth rates of 0.8 and 3 per cent in 1981 and 1982 respectively.

189. The overall balance of payments improved markedly in 1982, to FM -9 billion from -23 billion in 1981 (FM -13 billion in 1980). The improvement is chiefly due to a very large increase in public income shifts, which rose from FM 65 billion in 1980 to FM 87 billion in 1981, then FM 95 billion in 1982.

190. Net prior commitments decreased by FM 22.6 billion in 1982 as against FM 9.6 billion in 1981. Debt servicing, estimated at FM 25.2 billion in 1981, accounted for 30.3 per cent of export income.

2. Major problems and policies pursued

191. The major problems encountered in running the Malian economy boil down to : (i) a constantly growing food shortage; (ii) a lack of control over water resources; (iii) herds decimated by the drought, which has also affected plant cover (desert encroachment); (iv) the lack of communications within the country and with the outside world; and (v) continuing disequilibrium in public finances and the balance of payments. To deal with these problems a five-year economic and social development plan for 1981-1985 has been in progress since 1 January 1981. The planned distribution of investment by sector is as follows: 31.5 per cent for rural development, 31.7 per cent for the secondary sector, 28.1 per cent for infrastructure and public works and 8.7 per cent for human resources development. Total planned investments amount to FM 936.6 billion.

192. Because of its limited absorption capacity for its high natural resources potential, Mali has embarked upon community projects with its neighbours in pursuit of subregional economic integration. Under the auspices of the Organization for the Development of the Senegal River (OMVS), comprising Senegal, Mali and Mauritania, work has begun on a huge programme to open up the Senegal River basin. This will irrigate 400,000 hectares, generate 800 GWH of power for, among other things, exploiting the mineral resources of the Falémé region, and make the river navigable all year round from Kayes in

Mali to Saint Louis in Senegal. The later undertaking represents a major effort to put an end to the isolation of Mali. Other subregional activities are being pursued by the Liptako-Gourma Authority, which embraces Mali, the Niger and Upper Volta.

3. External assistance

193. In view of its low domestic funding capacity, Mali held a round table of financial backers from 11 to 16 December 1982 to mobilize the financial resources needed for the priority segment of the 1981-1985 five-year plan.

194. The funding requirements of the 79 priority projects put before the round table amounted in total to FM 539 billion. During the round table Mali also sought non-project-related assistance of almost $US 300 million, partly to sustain imports of spare parts, fuel, foodstuffs and farming inputs and equipment and partly for the manufacture of building materials and to revitalize the State sector. Donors' pledges at the close of the meeting amounted to FM 324.8 billion, or 60.2 per cent of the funds required for priority projects.

195. As of 31 December 1983 the total amount of external assistance Mali had received was FM 122 billion, over 30 per cent of the sum pledged at the round table, of which FM 103 billion was slated for projects and FM 19 million to support public finances and the balance of payments. This is a positive outcome only on the surface, for the flow of aid is both lower than it was in 1982 (FM 194.6 billion) and not directed in all cases towards the priority projects such as the Niger Office, the second cement works, or the acquisition programme for the railways, which are all slow in starting up with extremely damaging effects on the country's economy. What is more, this amount does not cover the funding requirements of the plan for 1983.

THE NIGER

1. Changes in principal macroeconomic aggregates

A. Overall growth and sectoral trends

196. The economy of the Niger experienced substantial growth between 1975 and 1980 largely because of the remarkable increase in the production of the rural sector and the uranium boom. From 1981 onwards, the growth of GDP in real terms slowed down markedly, falling from 13 per cent in 1981 to 4.9 per cent in 1983. The main cause of this decline is to be found in the difficulties encountered since 1981 in the mining sector as the result of the fall in the demand and in the world price of uranium. These difficulties were exacerbated by the difficulties of economic recovery resulting from the drought and the lack of dynamism in the other sectors.

197. After having increased by 21.4 per cent in 1981, agricultural production experienced a less favourable trend in 1982 and 1983 when its growth attained 8.7 per cent. Even though the climatic conditions were normal in 1982/83 and the food deficit was estimated at only 18,000 tonnes, the figures indicate a decline in cereal production of about 6 per cent as compared with 1981/82. Similarly, the industrial crops, mainly groundnuts and cotton, declined in value in the amount of 33 per cent for groundnuts and 61 per cent for cotton. Stockraising increased steadily, although the herds failed to recover the level which they had reached before the drought of 1973. The production of meat was enough to cover domestic needs and even to leave a substantial surplus for exports.

198. Since 1981, the mining sector, dominated by uranium, has been facing a recession due mainly to the decline in world demand and prices of uranium. Production fell from 4,362 tonnes in 1981 to 3,400 tonnes in 1983, while the price on the free market dropped from 27,000 CFAF/kg. in 1977 to 18,907 CFAF/kg, in 1982.

199. The added value of the industrial sector increased by 11 per cent at current prices in 1982 and 1983. In spite of everything, the textile and chemical industries obtained good results. The stagnation of the industrial sector may be explained essentially by the weakness in the formation of fixed capital in this sector which brought about a decline in the rate of investment of 25 per cent in 1980 and 20.2 per cent in 1982.

3. Public finances

200. The State budget suffered from the crisis in the mining sector, for 30-40 per cent of receipts come from uranium. In 1982 current receipts fell by 14.1 per cent, reaching the sum of 72.3 billion CFAF while current expenditures increased markedly from 54.7 billion to 71.3 billion CFAF. The not slowing down of capital expenditures and the satisfactory coverage of current expenditures by regular receipts were not sufficient to prevent a deficit of 18 billion CFAF in 1982, representing 2.3 per cent of GDP. In 1983 the budget recovered its balance as a result of a programme of austerity and a further contraction in capital expenditures.

C. Foreign trade and balance of payments

201. The trade balance was in deficit during the three years 1981, 1982 and 1983 reaching a deficit of 100 billion CFAF in 1982 and 72 billion in 1983. The decline in uranium exports is mainly responsible for this deterioration in the trade balance.

202. In 1982 the balance of payments deteriorated seriously as compared to 1981 because of a decline in net imports of capital which fell from 59.3 billion to 19.9 billion CFAF in 1982. The amount of external debt is estimated at about 315 billion CFAF and the service of the debt represents 22 per cent of export revenue.

2. Major problems and policies pursued

203. The main problem which the Niger is facing is the fall in uranium income which has forced it to seriously reduce its capital expenditures. This situation has compelled the Government to follow a policy of austerity and to take strict measures to limit imports to essential products. After the implementation of the Development Plan 1979-1983, the Government of the Niger adopted an interim plan of consolidation for 1984-1985 during which measures will be taken to recover the general internal and external balance of the economy. In agriculture, Government policy remains the search for food self-sufficiency towards which considerable progress has been made. Another problem is the land-locked nature of the country and the inadequacy of communications both between the different centres of production inside the country and with foreign countries.

3. External aid

204. The Round Table of Donors scheduled for the end of 1983 did not take place and it does not seem that it will be held before the end of the interim plan of consolidation. At the moment, the Government is engaged in a phase

of "rebalancing" the economy and is determined to maintain and consolidate the achievements of the Development Plan which has just been completed. The Niger has benefited like the other least developed countries from assistance given by the developed countries and international organisations but the volume of this aid seems to have decreased in 1982.

RWANDA

1 Major Macro-economic Trends

(a) Overall and Sectoral Growth

205. Data on the overall GDP growth in Rwanda for 1982 are not yet published. However, on the basis of sectoral indicators for the same period, it is apparent that the country had a relatively average performance. While food production is estimated to have increased relative to 1980/1981, the output of the major export crops declined or stagnated. Coffee output is estimated to have declined by as much as 26 per cent relative to the 1981 level while tea production remained at the same level of 1980/1981.

206. Mining the other important primary activity, had a mixed performance. Cassiterite production decreased by 8 per cent to reach 1,646 tonnes in 1982 as compared to 1 787 tonnes in 1981 However, the transformation of cassiterite into tin increased to 900 tonnes as a result of the coming into operation of a new tin foundry. The output of the other lesser important minerals such as wolfram, beryl and colombo-tantalite increased slightly.

(b) Domestic Expenditure Trends

207. Initial estimates of the expenditure components of GDP show that total consumption expenditure increased by about only 11 per cent at current prices. In real terms the increase would be insignificant as consumer prices also rose by over 10 per cent. The low expansion in real consumption may be explained by the austerity budget followed by the government during the same period and the tighter economic situation in the country. The share of total consumption in total GDP at current market prices increased to around 94 per cent with the share of government and private consumption expenditures being estimated at 15.3 per cent and 78.7 per cent respectively. Despite the implied low level of total domestic savings, the country is estimated to have registered an expansion of about 17 per cent in investments at current prices. It should be noted, however, that part of this investment is made up of non-monetary community works known as "Umuganda."

(c) Public Finance

208. The results of the budget performance in 1982 show that there was a deficit of 2.6 billion FRW on the ordinary budget. Total revenues amounted to 14,056.9 million FRW while total expenditures totalled to 16,724.4 million FRW. The budgetary deficit which first appeared in 1981 is mainly due to a slow growth in revenues. In 1982 total revenues expanded by a mere 1.5 per cent which is too low relative to the necessary expansions in total expenditures. The development budget performed better with total revenues of 3424.4 million FRW as compared to a realised development expenditure of 3,044.7 million FRW. This trend resulted from the fact that the rate of realisation of project

expenditure declined in 1982 to around 27.4 per cent. Also the share of counter-part expenditures on projects which in 1980/1981 accounted for two thirds of the whole Development Budget declined to only 56.6 per cent in 1982 implying that projects became more increasingly financed by external resources. Overall the public domestic debt continued to increase in 1982 reaching 6,722 million FRW or by 34.1 per cent relative to the 1981 level.

(d) External Trade and Balance of Payments

209. In 1982, Rwanda's exports of coffee declined by 35.5 per cent although coffee export earnings grew by 9 per cent as a result of a strong recovery in world coffee prices. Cassetirite, the second major export recorded a major decline of 92.7 per cent in quantity terms resulting into a loss of 45 per cent in cassetirite export earnings. Overall total export earnings declined in 1982 by about 3.2 per cent. Imports on the other hand increased by 4.6 per cent implying an increase in the deficit on the merchandise trade account. The services account is affected by the landlockedness of the country and as such there is usually a net deficit due to the high expenditures on transport.

210. The overall balance of payments situation of Rwanda in 1982 showed a deficit of 4,263 million FRW on the current account. The deficit would have been significantly larger except for the net positive balance of 4,750.5 million FRW on transfers. If capital movements are taken into account the overall general deficit is around 2,586 million FRW as compared to a general positive balance of 472.4 million FRW recorded in 1981.

2. Major Problems and Policies

211. The major structural problems of Rwanda include the very high population density, the land-lockedness of the country, the general low natural resource base and a small internal market. The government recently adopted the third Five Year Plan in which most of the long-term problems are outlined and policies proposed. The global aims of the government of Rwanda include the attainment of food self-sufficiency, the creation of employment, improvement in the welfare of the people and the development of external relations with neighbouring countries.

212. In the short-run, the country is following an austerity programme so as to put a brake on the expansion of the budget deficits. The new tin smelter which began operations in 1982 is also expected to bring in more revenue for the country and work on community programmes through UMUGANDA

could lessen the burden on the development budget. The transport sector is also receiving an appreciable amount of resources for maintenance and construction in an effort to open up the country internally and externally.

3. Review of External Assistance

213. Rwanda organised its third Round Table of external assistance at the end of 1982. At this round table the country requested for external assistance for the implementation of the third National Plan for Economic, Social and Cultural Development 1982-1986. The priority tranche of the plan that was presented to the donor conference amounted to 125 billion FRW and it was requested that 66 per cent of this amount should be supported by external aid. Recent aid negotiation include the West German-Rwandan Joint Commission which finalised an agreement for aid totalling US$24.2 million from West Germany. The ADF has also recently agreed to a supplementary loan of US$11.6 million for a road project.

SAO TOME AND PRINCIPE

1. Changes in principal macro-economic aggregates

214. The Democratic Republic of Sao Tome and Principe is made up of several islands situated in the centre of the Gulf of Guinea, covering a total area of 1000km^2. It achieved independence in July 1975 after more than five centuries of colonization. It was included among the group of least developed countries at the thirty-seventh session of the United Nations General Assembly in December 1982. The massive departure of expatriate personnel, who formed the essential basis of the administrative structures, led to a period of uncertainty after independence in the operation of the public sector. Consequently, there was a certain delay in the publication of statistics mainly because there were no institutional structures for the performance of this work.

A. Overall growth and sectoral trends

215. However, on the basis of trends observed in the statistical series available in the secretariat of the United Nations Economic Commission for Africa, the overall growth of GDP at current market prices was about 11.8 per cent, corresponding to a growth in real terms of the order of 3 per cent per year during the period 1981-1983 (as against 3.5 per cent per year between 1979 and 1981). The GDP at constant 1970 prices thus rose from $US 14.4 million in 1981 to $US 15.3 million in 1983, corresponding to a per capita GDP of $128 and $132 respectively.

216. The primary sector - crops, stockraising, fishing and forestry - and services remained the dominant sectors of the economy with 38 per cent and 52 per cent respectively of the real GDP. Until 1975 agriculture was concerned exclusively with exports of cocoa, coconuts, palm oil and coffee, foodstuffs being almost entirely imported from Angola and Portugal. Since the nationalization of the large properties, the State has undertaken to diversify and intensify the production of food crops (maize, rice and beans, in particular). As for the production of cocoa which provides nearly 90 per cent of export earnings, it experienced a growth of 20 per cent in volume in 1982 and the first agricultural statistics available indicate a growth of the same order for 1983. We must note, however, the inadequacy of the formation of agricultural capital, which has not allowed the restoration of the farms abandoned by the Portuguese. The services sector experienced a real growth of 3.5 per cent per year between 1981 and 1983. Its development is impeded by the lack of infrastructures and by the difficulties faced by Angola, which for Sao Tome and Principe is the only means of access to the

outside world. Manufacturing industries are little developed and based essentially on the processing of crops, animal products and fish (sorting, drying and smoking of cocoa, preparation of meat products and the drying of fish). These industries have represented as a yearly average 10 per cent of GDP and have grown at an annual average rate of 3.5 per cent in real terms between 1981 and 1983.

B. Changes in domestic demand

217. These changes have been marked by a gradual increase in consumption which has allowed domestic savings of the order of 28.7 per cent of GDP on the average. The rate of investment has remained relatively low at 16.5 per cent, whereas the surplus of domestic production over domestic expenditure has been of the order of 12.2 per cent with a certain decline in 1983 to 9.8 per cent.

C. Public finances

218. The re-establishment of budgetary practice is fairly recent. We must, however, note the effort made by the Government to control public expenditure, whose rate of growth declined from 28.7 per cent in 1980-1981 to 18.1 per cent in 1982-1983 with regard to investment expenditure and from 14.1 per cent to 11.6 per cent with regard to public consumption during the same period. The resources of the State have been limited by the strong propensity to consume of households, which does not allow the imposition of heavy tax rates, and also by the unfavourable trend in exports which are a major source of indirect taxes.

D. Foreign trade and balance of payments

219. The development of foreign trade is closely linked with cocoa sales. Thus, the declines of 47 to 60 per cent in world prices recorded between 1980 and 1981 caused a deficit in the trade balance of the order of $8 million, a deficit which rose to $9.3 million and $9.5 million to 1982 and 1983, respectively. This trend corresponds to an annual movement of imports and exports to the value of 20 per cent approximately. The instability of cocoa prices during a single year (fluctuations going sometimes as high as 33 per cent) and the large-scale stocks assembled during the years when prices were at their lowest made it impossible to improve the trade balance even during the years of good harvests. Imports, dominated by food products (26 per cent of the total) and by manfuctured goods (6 per cent), after a decline of 10.5 per cent in 1981, recovered in 1982 and 1983 to $19.7 million and $20.4 million, a rate of growth of 15.9 and 3.6 per cent, respectively.

220. The downward trend in the current operations of the balance of payments, which started in 1980, continued between 1981 and 1983 as a result of a decline of almost 87 per cent in the balance of trade, which fell from a surplus of $11.3 million in 1979 to $1.4 million in 1980 and then to an annual average deficit of $7.3 million between 1981 and 1983. These deficits are due to the downward trend in the value of cocoa sales. During the same period, non-set-off transfers remained very low (barely 3.6 per cent of the trade balance) whereas the services balance remained constantly negative. Since 1979, the overall balance of payments has remained in deficit because of the net imports of capital which have barely covered half the deficit in the current operations account.

E. Changes in the social sector

221. As mentioned above, the statistical services are in the course of re-organization and no recent social statistics are available. On the basis of estimates made in 1980, the active population amounted to 40 per cent of the total population, with 60 per cent in the agricultural sector. The modest financial resources of the country made it impossible to respond fully to the population's demand for health, education and housing facilities. As an indication, in 1980, the rate of infant mortality was 49.7 per thousand and there were 51 doctors and 690 hospital beds for every 100,000 inhabitants.

2. Major problems and policies pursued

222. The main bottle-necks impeding the economic and social development of the Democratic Republic of Sao Tome and Principe are: (i) the insularity and fragmentation of the national territory over several islands; (ii) the burdens of the colonial heritage, which allowed the country to specialize in the production of a single crop, cocoa, exclusively destined for export which made the country totally dependant on the exterior for its food needs and transfered nearly all the cultivable land to a limited number of big planters; (iii) the lack of domestic financing capacity and the lack of skilled personnel needed for the rapid re-organization of the productive sectors and of the administration and for the installation of basic socio-economic infrastructures (access roads to production centres, schools and clinics in sufficient numbers, etc.).

223. Since March 1975 the Government has launched a programme of land reform to ensure better utilization of soils (redistribution of land and improvement of crop techniques) and a diversification of crops (campaigns in favour of food crops, in particular). It has also started projects to develop the abundant fishery resources and the 37,000 hectares of forest. Thus, all the farms of more than 200 hectares have been nationalized and re-organized in the form of co-operative, in which the State makes available the factors of production (fertilizer, seeds and equipment) to the producers. There remain the tasks of diversifying the access routes to the outside world (Angola at the moment being the only outlet) and of training the technical personnel to sustain in particular the co-operative agricultural movement.

3. External assistance

224. The most recent statistics on external aid relate to 1980 and 1981. During these two years all the external assistance given to Sao Tome and Principe was in the form of direct technical assistance and concessional aid in the amounts of $1.6 million and $3.9 million respectively in 1980. The concessional aid as a percentage of imports was evaluated at 21.7 per cent (or 8.5 per cent of GDP). It consisted of $1.2 million from bilateral sources and $2.7 million from multilateral sources. In 1981, the country received a contribution of $500,000 from the member countries of OPEC or from multi-lateral institutions financed by those countries.

SIERRA LEONE

1. Major Macro-Economic Trends

(a) Overall Growth Trends

225. The Sierra Leone economy which has been experiencing economic difficulties over the years deteriorated further during the period 1981/1983. In 1982, growth in GDP stagnated in nominal terms and given an estimated annual population growth rate of 2.6 per cent, per capita GDP declined by 2.1 per cent. These trends are attributable to the low level of production in the major sectors, notably agriculture and mining. The poor performance of these sectors was, in turn, a result of the non-availability of foreign exchange needed to acquire raw material inputs and spare parts.

(b) Sectoral Performance

226. The performance of the agricultural sector in 1982/1983 was rather sluggish. Total production of the principal export crops, reflected by the value of purchases of the Sierra Leone Marketing Board (SLMB), declined from a level of 30,000 tonnes in 1981/82 to an estimated 24,000 tonnes. Rice imports also increased from 54,246 tonnes in 1981 to 75,000 tonnes in 1982 representing an import bill of Le 33 million or 10 per cent of the total value of imports.

227. In mining, the output of diamond (the major mineral product and main export earner) fell sharply in 1981/1982 by 23.4 per cent to 339700 carats as compared to 443,000 carats in 1980/81 and further in 1982/83 to 248,000 carats. This implied a drastic reduction in the total value and volume of diamond exports with only 314,600 carats exported in 1981/82 at a value of Le 65.5 million as compared to 446,100 carats at Le 95.5 million in 1980/81. Total exports of rutile which registered a significant increase in 1981/82 fetching Le 45 million for 69,000 metric tonnes, dropped to 60,000 metric tonnes in 1982/83 valued at Le 26 million. The factors responsible for this deterioration in production levels were the progressive depletion of diamond reserves and intense smuggling activities. As for rutile, production was held back because of stock piles and in 1982 mining operations came to a standstill due to depressed world market conditions for rutile.

228. The modern manufacturing sector is still very small and growth in real terms dropped to 1.4 per cent in 1982 from a level of 2.2 per cent attained in 1981. Overall manufacturing production (which consists mainly of such consumer goods as cigarettes, beer and stout, salt, matches, etc.) was at a low level in 1982/83 due to the acute shortage of foreign exchange to purchase industrial raw materials and the essential inputs

including spare parts.

(c) Domestic Expenditure Trends

229. An evaluation of the structure of domestic expenditure indicates that fixed capital formation at current prices estimated at Le 187 million in 1979/80 declined by an average rate of 1.3 per cent during 1980/81 and further dropped by 2.5 per cent in 1981/82. Private consumption which constitutes an average of over 80 per cent of GDP, registered a negative growth rate of 1.9 per cent in 1981/82 as against 1.4 per cent in 1980/81. Public consumption also followed a similar trend with a decline in the annual average growth rate from 2.3 per cent in 1980/81 to a negative 5.8 per cent in 1981/82. These expenditure trends were due to inflationary tendencies which resulted in drastic cuts in real incomes, coupled with measures adopted by the government to reduce public expenditure, and the suspension of development programmes and projects due to the lack of resources.

(d) Public Finance

230. Poor revenue collection, failure to adequately control expenditures and increased reliance on suppliers' credit, have characterized the public finances of Sierra Leone in recent years. Total recurrent revenue in 1981/82 was Le 190.6 million which fell far short of the budget target of Le 302.3 million or a shortfall of around 37 per cent because of decreases in customs and non-customs revenues. The total actual expenditure in 1981/82 is reported to be Le 343.2 million, about Le 50.4 million below the budgeted expenditure of Le 393.6 million which was due to a fall in development spending from Le 43.7 million in 1980/81 to Le 31 million. In the revised 1982/83 budget, total recurrent revenue was estimated at Le 248.58 million of which grants and development receipts accounted for Le 34.16 million. Total expenditure was budgeted at Le 393.43 million with Le 118.40 million for development expenditures, Le 229.85 million for recurrent expenditure and Le 45.2 million for interest payments on outstanding debts. The budget deficit in 1982/83 was Le 191 million as against an estimated deficit of Le 236.7 million although the government had adjusted the deficit for 1982/83 to Le 146.85 million. The large deficit is explained by the Le 50 million shortfall in revenue collected and payments of accumulated arrears of Le 30 million to domestic creditors during 1982/83. Additional expenditure was also incurred due to the introduction of the two-tier Exchange Rate system in December 1982.

231. In 1983/84, total revenue is expected to be Le 327.9 million of which recurrent revenue is Le 253.5 million and grants and development receipts, Le 74.4 million. Total expenditure envisaged is Le 537.9 million of which

recurrent expenditure is Le 291.7 million; interest charges of Le 76.2 and an appropriation of Le 170 million for development spending.

(e) External Trade and Balance of Payments

232. Total export earnings took a downward trend in 1981 when the value of exports dropped to a level of Le 154.5 million with a further decline to Le 136.95 million in 1982. The decrease in total export earnings is attributed to the progressive depletion of diamond reserves, the country's main export earner, and reduction in earnings of the major cash crops i.e. coffee and cocoa, due to depressed world prices for these commodities. Although the volume of imports was correspondingly lower in 1981 and 1982 at Le 360.4 million and Le 368.5 million, respectively, compared to Le 447.5 million in 1980, there was a net deficit in the trade balance of about Le 205.9 million in 1981 and Le 231.5 million in 1982. The deficit on the service account also declined from Le 246.90 million in 1980 to Le 215.8 million in 1981. A combination of the factors engendered a persistent overall balance of payments deficit over the 1981/83 period.

II. Major Problems and Policies

(a) Short-Term Problems and Policies

233. A major problem facing the economy of Sierra Leone at present is the acute shortage of the foreign exchange needed to acquire industrial raw materials, other essential inputs and spare parts to resuscitate production in the key sectors, notably agriculture and mining. The foreign exchange crisis has intensified smuggling activities which siphon a substantial amount of resources out of the main stream of the economy. The country is also experiencing worsening balance of payment problems as a result of declines in output, sluggish world demand and depressed prices for Sierra Leone's major export commodities and the rise in the value of imports as well as substantial foreign debt obligations.

234. The government has instituted measures aimed at restoring the economy with industry and agriculture producing effectively. The two-tier exchange rate system which was introduced in December, 1982, with the aim of channelling the enormous foreign exchange resources in the parallel market through the official market, was reviewed by the government. It was consequently decided to harmonize the official and commercial market rates at a level of US$1 to Le 2.50 effective 1 January 1983. Other measures included reduction in government expenditure, a more effective price control machinery and increases in producer prices for most commodities with export crops, such as cocoa, coffee and ginger rising by an average of 45-50 per cent. The

government also enunciated a recovery programme whose objectives are to: expand the revenue base; restore financial and fiscal dicipline in order to resume normal economic growth; increase productive investment and provide employment opportunities. The IMF granted the country an additional one year standby credit facility of SDR 50 million (about Le138 million) to provide the necessary foreign exchange to buttress the measures taken by the government to ensure effective production activities.

(b) Medium-Term Problems and Policies

235. Sierra Leone's medium term problems and policies have been dealt within the country's current national Development Plan, Fy81-Fy86, which aims at redressing the following structural characteristics- high dependence on agriculture and mining; high concentration of exports of only three commodities, diamond, coffee and cocoa; heavy reliance on imports; low inter-industrial linkages, inadequate infrastructural facilities, smallness of the domestic market, etc.

III. Review of External Assistance

236. Sierra Leone is a newcomer to the LDCs group, admitted by the 37th Session of the United Nations General Assembly in December 1982. The Ministry of Economic Development and Planning has been identified as the focal point for the implementation of the Substantial New Programme of Action (SNPA). For the organization of a review meeting, the government requested the assistance of the UNDP for the preparation of the documentations for the country's Round Table Conference scheduled to be held sometime in 1984.

237. The implementation of the country's Five Year Development Plan would require total public expenditure during the Plan period, Fy81-Fy86, of Le1,065 million, of which the foreign financing requirement is 83 per cent. In 1982/83 grants and development receipts actually received amounted to Le34.16 million representing about 13 per cent of total revenue. For the 1983/84 fiscal year, grants and development receipts are estimated at Le74.4 million. Also the IMF extended a standby credit facility of SDR 50 million (Le130 million) during 1983/84 in addition to the Le28 million the government received in 1982/83 from the Fund's Compensatory Financing Facility.

SOMALIA

Overall and Sectoral Growth

238. The Somali economy was confronted with a prolonged economic crisis in the last decade. Per capita income in real terms experienced no signs of improvement. The economy was plagued by continued stagnation in production and exports, increased underutilization of industrial capacities, growing balance of payments and fiscal crises. a soaring rate of inflation, mounting external debts, and a sharp and critical decline in foreign exchange reserves. In 1982, GDP growth is estimated to have increased by only 2 per cent in real terms as opposed to a more 1 per cent growth in 1980 and 1981.

239. Such sluggish growth was attributed to the persistent slowdown in the activities of the productive sectors. Agriculture, the predominant sector, suffered from low rates of output expansion due to drought and structural problems. The sector as a whole registered an average growth of 1.6 per cent yearly between 1980 and 1982, as compared to a population growth of 2.8 per cent implying a significant decline in agricultural per capita output.

240. The main factors underlying the poor performance of the agriculture sector include the lack of an effective production-oriented development well defined programme, inappropriate economic incentives, inadequate financial resources especially credit, failure to raise producers' prices so as to keep up with inflation, inappropriate changes in land use with continuous shifts from crop production to pastoral activities. The livestock sector also suffered from the periodic droughts, the lack of veterinary services and the inadequacy of the marketing infrastructure.

241. The manufacturing sector is relatively small, accounting for only 8.3 per cent of total GDP. Agro-processing industries, intended mainly for import-substitution, account for over one half of the total value added and employment in manufacturing. Growth in manufacturing output dropped significantly from 4.7 per cent in real terms in 1980 to 1.7 per cent in 1981 although it rose slightly to 2.2 per cent. The sector has been greatly affected in 1982 by low capacity utilisation due to lack of spare parts and local agricultural raw material inputs including, in particular, fish, meat, grains, sugar cane, fruits and vegetables, sesame, groundnuts and cotton. In 1982, transport activities remained at the same level as in previous years. The construction sector, however, showed a marked improvement from the stagnation and decline experienced in the last ten years.

Expenditure on GDP

242. The expenditure pattern of 1982 has not changed significantly from the past norms. Total expenditure was not sufficiently moderated in spite of the measures recently taken to constrain expansion in aggregate demand. The rate of increases of government expenditure in real terms increased from 2.2 per cent in 1981 to 4.2 per cent in 1982. Similarly, private consumption expenditure accelerated considerably rising from 1.2 per cent in 1981 to 2.1 per cent in 1982. On the other hand, capital formation slightly declined

mainly due to the reduced inflow of capital.

Public Finance

243. The basic feature of public finance in Somalia is the continued deterioration of the budget performance over the years, with the growth of expenditure far outstripping the growth of revenues, resulting in a wide gap in both the current accounts and the overall balance. In addition, the reduction in the inflow of foreign finances to mitigate the imbalances has led to excessive recourse to Central Bank financing which was estimated to have reached over 10 per cent of total GDP. In 1982, the current account deficit was estimated to have decreased significantly from So.Sh.448 million in 1981 to So.Sh.94 million. However, the development expenditure rose significantly resulting in an overall resource gap of So.Sh.1073 millions.

External Trade and Balance of Payments

244. The external sector is characterized by a very narrow export base in which livestock and banana exports account for over 80 per cent of total export earnings. Nevertheless, the heavy dependence of the economy on foreign sources is reflected in the high share of external trade in GDP, with the volume of trade accounting for about 34 per cent of GDP.

245. After a bouyant performance in 1980, especially in the livestock sector, total exports dropped appreciably in 1981 although they were higher than the level observed since 1977. In the same period, imports declined by more than 40 per cent - an unprecedented rate since 1970. These two trends implied that the deficit on the merchandise trade account and the current account narrowed down appreciably. The position of reserves has improved slightly from its position in 1980 but has still remained at a precarious level of only an equivalent of imports of 1.4 months only.

Major Problems and Policies

246. The major problems behind the economic crisis in Somalia is the explosion of demand in the face of a long-standing stagnation in supply. This has led to a sutuation of high import demand accompanied by a sharp rise in government expenditure. In 1981 and 1982, the government introduced a number of stabilization policy measures aimed mainly at curtailing the excessive expansion of demand and at reducing both internal and external financial imbalances. The stabilization programme adopted in mid-1982, and supported by IMF stand-by-arrangements included (a) further devaluation of the Somali shilling by 32 per cent on the import side and by 15 per cent on the export side, (b) a fiscal reform with emphasis on expenditure control, improvement in tax administration, and improving public enterprises financial viability, (c) continuation of the squeeze on the overall credit

and on net domestic credit to the government and (d) increases in the interest rates.

International Technical Assistance

247. Somalia's external debt has been rapidly rising while the structure and terms of borrowing have been hardening. A large part of the debt is from suppliers' credit on non-concessionary terms. Consequently, Somalia has to face a very heavy debt servicing burden, which jumped from 7 per cent in 1979 to 20 per cent in 1980 and was estimated to have reached as high as 40 per cent in 1981.

248. In the short-term, the emergency assistance measures relate to the immediate problems of refugees, drought and foreign exchange shortages. The required external assistance for the medium-term (1982-1986) amounts to So.Sh. 6,500 million, or nearly about two-thirds of the total investment package for the period. External assistance of the order of So.Sh.8,500 millions is required for the financing of programmes and projects envisaged in the long-term plan (1982-1990). The domestic component accounts to about 40 per cent of the total investment package.

THE SUDAN

1. Major Macro-economic Trends

249. The Sudan as most other developing economies suffered from the adverse effect of the 1981-1982 world recession. The downward pull of this recession was accentuated in the Sudan by three successive poor crop harvests in 1979-1981. However, the government launched corrective measures which were incorporated in a comprehensive programme for economic recovery which brought about useful results. The measures taken by the government of the Sudan successfully checked the downward slide of the economy. Impressive gains were recorded during 1982-1983 in production of cotton, sugar and cement. But the overall agricultural production suffered a setback due to poor harvest in rainfed areas.

2. Overall and Sectoral Growth

250. Prior to 1982-1983, output in the rainfed sub-sector was sufficiently buoyant to compensate for the declining productivity in the irrigated sub-sector. However, the 1982-1983 bad climatic conditions caused a substantial drop in the output of the rainfed sub-sector, especially for grains and oil seeds. During the same period, the irrigated sub-sector showed a marked improvement as the rehabilitation projects began to take effect. But this was not sufficient to prevent an overall decline in agricultural production, which dropped by nearly 12 per cent compared with the previous year. The decline in agriculture affected the whole economy such that GDP is estimated to have fallen by 2.7 per cent during the period.

251. Manufacturing industry, on the other hand, showed a small increase in real terms of 2.6 per cent. Overall, however, it is only the construction industry which had a good performance in that year having recorded an increase of 5 per cent in real term .

3. Expenditure on GDP

252. Notwithstanding the efforts to curtail government expenditure and to contain the high inflationary tendencies, total consumption rose fast in the the recent years. Government expenditure as a percentage of total GDP rose from 15 per cent in 1980 to 17.4 per cent in 1982. Similarly in spite of government measures to restrain the growth of demand and in particular of imports, private consumption increased significantly. On the other hand, gross fixed capital formation as a percentage of GDP recorded a slight decrease from 20.5 per cent in 1980 to 18.3 per cent in 1982, in spite of important increases in government development expenditure.

4. Public Finance

253. The overall performance of the government budget improved as domestic revenue rose as a percentage of GDP to over 15 per cent after falling to 12.6 per cent in 1981-1982. This was brought about by (a) better collection of direct taxes, whose share in total revenues rose from 13.5 per cent to 18 per cent and (b) changes in the valuation system for import duties. Recurrent expenditure was also more tightly controlled and the government's dependence on public sector borrowing was reduced.

5. External Trade and Balance of Payments

254. Despite the drop in agricultural production the value of exports increased. The improvement in the performance of the irrigated sub-sector was reflected in a substantial increase in cotton exports. Also the unsold stocks of sorghum carried over from the previous year's bumper crop prevented a drop in sorghum exports.

255. The value of imports declined slightly partly because of increased output of import substitutes, especially sugar, and partly as a result of exchange rate adjustments and direct controls which helped to damp on demand for imports. Consequently there was some improvement in the balance of trade but the deficit remained substantial at US$1.1 billion. Over half of the deficit was covered by the surplus on invisible trade and transfers, both official and private, and the rest by capital inflows and direct balance of payments support.

6. Major Problems and Policies

256. In recent years the government has implemented a number of far reaching policy measures with the aim of eliminating price distortions and encouraging investment and production. Frequent adjustments have been made to the foreign exchange rate and the most import transactions are now conducted at the free market rate which approximates the purchasing power parity of the local currency. Export proceeds are converted partly at the official rate of 130 piastres per dollar, and partly at the free market rates. Also most export taxes have been eliminated.

257. Various measures have been taken to discourage imports of non-essentials and recently a complete ban was imposed on a list of 39 items. Consumption is being depressed through the elimination of subsidies on consumer goods and adjustments in the tariffs of public utilities. This is also designed to improve the flow of government revenues, which has been further enhanced by better collection procedures. Measures are also being taken to control the growth in the money supply by reducing government borrowing and raising interest

rates. In addition direct controls have been imposed on lending by the commercial banks. Private savings are to be encouraged by the issuance of government bonds to private non-banking institutions and by the opening of a stock exchange.

258. In common with many other developing countries, Sudan has incurred heavy foreign debt liabilities. To reduce the burden of debt servicing, rescheduling agreements have been concluded with both officials and private creditors. This has been a major factor in reducing the current account deficit on the balance of payments from 12 to 6 per cent of GDP.

7. International Technical Assistance

259. Aggregate public investment for the fourth three year public investment programme (TYPID IV) is set at LS.2,384 million at current prices or LS.1,462 million in constant 1981/1982 prices as compared to LS.1,283 million for TYPID III at 1981/1982 prices.

260. The total requirement of external financial assistance (including counterpart funds) is estimated to reach LS.1,290 million in 1985/86 at current prices. The contribution of foreign assistance (excluding counterpart funds) is expected to be maintained at around 70 per cent of public sector development expenditure throughout the envisaged period.

UNITED REPUBLIC OF TANZANIA

I. Major Macro-Economic Trends

(a) Overall Growth Trends

261. In 1982/83 Tanzania continued to experience economic difficulties notably the low level of production which was mainly attributed to the acute shortage of foreign exchange needed to buy essential imports for the key productive sectors of the economy as well as critical commodities like medicines and educational materials. The overall GDP at constant prices declined in 1982 by 3.2 per cent as compared to a decline of 1.7 per cent in 1981. This was mainly as a result of agricultural production which declined by 8.2 per cent in 1981 and by 8.7 per cent in 1982 and the manufacturing sector which registered a drop of 27.4 per cent and 25.4 per cent in 1981 and 1982 respectively. The aggregate value of output of these sectors including mining declined by 11.2 per cent from Shs.5019 million in 1981 to Shs.4459 million in 1982. The growth rate of GDP is estimated to have declined further in 1983 by about 3 per cent as the country continues to face acute foreign exchange problems.

(b) Sectoral Performance

262. As noted above, the share of the agricultural sector in GDP in constant 1976 prices declined in 1982 by 8.7 per cent from Shs.4184 million in 1981 to Shs 3815 million. Among the major factors responsible for such a poor agricultural performance are the inadequacy or lack of supply of agricultural implements, chemicals, fertilizers as well as transport facilities for timely delivery of commodities to potential markets. There was also a considerable decline in the purchases of major food grains by the National Milling Corporation from 227,400 tonnes in 1980/81 to 159,044 tonnes in 1981/82 which necessitated food imports of 313,940 tonnes in 1981/82. However, improved food production was recorded in 1982/83 as a result of better weather conditions in most parts of the country and food grain imports were lower at 126,270 tonnes. Production dropped for all the country's major cash crops, except for cashew nuts which increased from 34132 in 1980/81 to 44,331 tonnes in 1981/82. Domestic purchases of the various Boards indicate that coffee dropped from its 1981 level of 66610 tonnes to 54,582 tonnes in 1982, sisal from 73,753 tonnes to 60,635 tonnes, tobacco from 16,561 tonnes to 16,098 tonnes, pyrethrum flower from 2004 tonnes to 1878 tonnes and tea from 16,388 tonnes to 15534 tonnes.

263. Over the past few years, the manufacturing sector has been steadily declining. The value of production (at 1966 constant prices) dropped by 25.4 per cent in 1982 following decreases of 27.4 per cent in 1981 and 18.8 per cent in 1980. In value terms this meant a decrease from Shs. 761 million in

1981 to Shs. 568 million in 1982. The subsectors which were most affected included cement which dropped by 14.4 per cent, aluminum by 29.8 per cent, canned meat by 54.8 per cent and fertilizers by 80.2 per cent. The major bottleneck in the manufacturing sector remains the non-availability of foreign exchange to acquire industrial raw materials, other intermediate inputs and spare parts, and the provision to industries of vital services, like power and water.

264. In the mining sector, diamonds and salt, are the most valuable export earners. The total value of mineral sales in 1981 was Shs.285 million, of which Shs.240 million was accounted for by diamond. Overall mining production declined further in 1982 by 2.7 per cent after falling by 9.9 per cent in 1981. The major factors affecting the mining sector include the aging of the mines and the near depletion of the minerals coupled with the lack of a comprehensive programme for purchasing minerals from private dealers.

(c) Domestic Expenditure Trends

265. Capital formation at 1966 constant prices was Shs.2570 million in 1982, representing a 4.5 per cent decline over the 1981 level of Shs.2692 million. The ratio of capital formation to GDP was 22.5 per cent in 1982 as against 22.8 per cent in 1981. The average growth rates for capital formation drastically declined in 1981/82 at 6.2 per cent as compared to a decline of 4.6 per cent in 1980/81. Private consumption declined further in 1981/82 at an average annual rate of 2 per cent after registering a decline of 6.3 per cent in 1980/81. The average growth rate in government consumption was 1.2 per cent and 0.53 per cent respectively during the same period.

(d) Public Finance

266. The 1981/82 budget was an austrity budget involving no increase in current spending and a cut of 6 per cent in development expenditures. However, total revenue fell far below estimated levels causing a large budget deficit. Thus despite further cuts in current expenditure in real terms (notably defence by 50 per cent) and development expenditure (Shs.4816 million in 1982/83 or 27 per cent less than the 1981/82 appropriations,) 1982/83 was the fifth successive year of persistant budget deficits. Total recurrent revenue was Shs.12,000 million while recurrent expenditure originally budgeted at Shs.14,444 million increased by 4.2 per cent to Shs.14,736 thus resulting in a budget deficit of Shs.2,736 million

(e) External Trade and Balance of Payments

267. Tanzania's trade balance markedly deteriorated in 1982 resulting in the worsening of the balance of payments situation. The value of commodity exports declined in 1982 by 20.3 per cent or from Shs.4,372.8 million in 1981 to

Shs.3,484 million. Although the value of imports actually declined by 7.9 per cent from Shs.9,120 million in 1981 to Shs.8,392.1 million in 1982, the trade deficit increased by 3.4 per cent reaching a level of Shs.4,907.7 million as against a negative balance of Shs.4,747.2 million in 1981. The net deficit on services decreased from Shs.579.4 million in 1981 to Shs.304 million in 1982. The balance on transfers also decreased from Shs.1,887.5 million in 1981 to Shs.1,075.7 million in 1982 due to considerable reductions in the level of grants received by the government. These developments led to a rise in the overall balance of payments deficit from Shs.15.9 million in 1981/82 to Shs.907.4 million in 1982/83.

(f) Education, Health and Housing

268. The performance of the education, health and housing sectors, was constrained in 1982/83 due to the lack of adequate development funds to implement projects in these areas. The universal primary education which was started in 1977 continued to progress satisfactorily with primary school enrolment reaching a level of around 4 million pupils in 1982. Primary school leavers numbered 417,000 as compared to 356,000 in 1981. The government intensified its efforts to eradicate illiteracy and it is reported that about 79 per cent of adults had attained basic literacy by the end of 1982.

269. The provision of free health facilities for the masses of the population remains a priority of government although the trend in government revenue collection handicaps adequate financial allocation to the sector. However, the government is continuing its drive to control recurrent epidemic diseases like cholera and diarrhea. As for housing, the rural-urban shift has placed increased pressures on the provision of adequate accomodation in urban areas in addition to providing better housing facilities in the rural areas where 85 per cent of the population currently lives.

II. Major Problems and Policies

(a) Short-Term Problems and Policies

270. The nature of Tanzania's short-term problems are manifold but the most important ones include (a) the persistent trade deficit despite reductions in the quantity of imports and the resultant balance of payments problems, (b) the foreign exchange crisis which has engendered sluggish growth in major production sectors and (c) bad weather conditions which have adversely affected the agricultural sector, especially food production.

271. To redress these problems the government continued to pursue its national economic survival programme (NESP). The programme is designed to restore normal growth and stability in the economy and its main objectives, among others, are to (i) increase foreign exchange earnings and ensure prudency in the utilization of such limited resources (ii) implement the food production plan in order to reduce dependence on food imports and (iii) orient development plans by putting emphasis on utilizing existing production and investment capacities.

(b) Medium-Term Problems and Policies

272. Tanzania is caught in a vicious circle of low output because of inadequate inputs due to the lack of foreign exchange, the shortage of which causes low levels of production. As such, the major economic problem in the medium-term remains the structural adjustment of the key sectors of the economy through the revitalization of the agricultural sector both in terms of increased productivity and enhancement of production of cash crops and food grains, and the efficient utilization of existing industrial capacities. Another problem is the country's limited capacity to mobilize domestic resources which tends to increase her dependence on external assistance. Also the country's foreign debt which currently stands at Shs.3000 million is a heavy burden on the economy in terms of debt servicing and repayments.

273. The main policy instrument of the government to restore stability in the economy during the Five Year Plan 1981/82 - 1985/86 is the structural Adjustment Programme (SAP) 1982/83-1984/85, of which, the National Economic Survival Programme (NESP) is an integral part. The main objectives of the SAP, which has been worked out in collaboration with the IMF, are to (i) increase foreign exchange earnings, (ii) adjust the government budget and reduce the money supply, (iii) increase exports, (iv) consolidation of internal trade, and (v) implementation of the various sectoral strategies which have a bearing on the macro-economic objectives.

III. Review of External Assistance

274. With respect to the country review meeting, Tanzania is expected to organize a consultative meeting with the assistance of the World Bank sometime in 1984, during which the donor community will be given an account of the country's development strategies and policies, programmes and projects within the framework of the SNPA. In 1983/84, the government requires a

minimum of Shs.15,000 million in foreign exchange to meet the immediate needs of the country. The amount includes provision for repayment of outstanding foreign debts amounting to Shs.3000 million. According to current estimates, the country would be able to raise only Shs.7,567 million through export of goods and services including foreign aid during this period. This leaves a financing gap of Shs.7,433 million. If export earnings targets are realized and the expected foreign aid does materialise, only about 50 per cent of national requirement will be met after allowing for debt servicing and repayments.

TOGO

1. Changes in principal macroeconomic aggregates

A. Overall growth

275. Gross domestic product, estimated at current market prices at 269.7 billion CFAF in 1982, was up 49 per cent over 1981 GDP, estimated at 257 billion CFAF. In real terms, after stagnating in 1980 GDP slipped by 2 per cent in 1981 and 2.5 per cent in 1982. This is a result of the fall-off in activity in the secondary sector.

276. The rural sector, which still employs 80 per cent of the working population, is dominated by agriculture, which accounted for 83 per cent of value added in the sector in 1982. In 1981 it slipped 8.5 per cent and in 1982, 4.7 per cent.

277. Activity in the secondary sector fell off sharply in 1981 and 1982. The sector's share of GDP dropped from 26.2 per cent in 1978 to 22.4 per cent in 1982. The deterioration is due to the problems faced by the mining industries in finding outlets for their products. Manufacturing industry varied very little over the period. With the temporary halt in public investment, valued added in buildings and public works fell by 21.2 per cent in 1981 and 7.5 per cent in 1982.

B. Domestic demand

278. Private consumption which, at current prices, accounted for 77.4 per cent and 81.6 per cent of GDP in 1981 and 1982, went up by 5.1 per cent in real terms in 1981. It suffered a net slow-down in 1982, with a rate of increase of almost nil. In real terms, public consumption fell by 13.5 per cent in 1981 and 1.9 per cent in 1982. At current market prices, investment dropped by 18.6 per cent in 1981 and 5.5 per cent in 1982.

279. The slower variation in the value of imports observed in 1980 continued in 1981. There was a fall-off in import tonnage linked to a 62-per-cent drop in imported lubricants, and sagging imports of finished products. Nevertheless, imports of foodstuffs went up by 58.2 per cent, and those of final products by 20.8 per cent. A reduction in exports of 19.4 per cent was recorded in 1981.

C. Sectoral trends

280. Food production barely increased at all between 1980 and 1983: 1,209,324 tonnes in 1980/1981, 1,205,545 tonnes in 1981/1982, and 1,246,380 tonnes in 1982/1983. In 1983/1984 it is expected to be only 1,199,200 tonnes. Maize, the primary food crop in the maritime region, was down by 6.3 per cent in 1982 while the millet and sorghum grown mainly in the north increased 4.6 per cent, although they did not regain their 1980 levels. The marketing of the principal commercial crops, with the exception of coffee, suffered a setback in 1981/1982 by comparison with 1980/1981.

281. Cocoa and shea production have plummeted 31.5 per cent, cabbage palm production almost by half, and cotton production has fallen by 7.9 per cent, to 21,194 tonnes as against 23,016 tonnes the previous season. Coffee, at a production volume of 9,265 tonnes, increased by 5.6 per cent.

282. Industrial output in 1982 was characterized by a fall in activity due to shrinking demand from most businesses. Phosphate production in 1982 was 2 million tonnes, down 8.5 per cent from 1981 because of slackening international demand for fertilizers.

283. Cement production, particularly strong in 1982 with a 44-per-cent increase over 1981, is now being affected by shrinking local demand. The 1982 output figure of 868,215 tonnes, which was maintained thanks to foreign demand, has shown a tendency to decrease since the first quarter of 1983. Electrical power generation was up in 1982 by 24 per cent or 23 million KWH over 1981. With the end of the major construction projects in 1981 and 1982, activity in buildings and public works has slowed considerably.

D. Public finances

284. Budget receipts amounted to 70.6 billion CFAF in 1980, 59.5 billion in 1981 and 72.7 billion in 1982, while spending stood at 75.5 billion, 64.4 billion and 64.7 billion CFAF respectively. The budget showed a deficit in 1980 and 1981, but a surplus of 8 billion CFAF in 1982.

E. Foreign trade and the balance of payments

285. The 1981 balance of payments showed an overall surplus of 26.6 billion CFAF according to figures from the Togolese Banque centrale. This situation is due to a massive injection of short-term funds amounting to 45 billion CFAF. By contrast, all other components of the balance of payments deteriorated.

286. The trade deficit has grown worse owing to a sharply declining exports and stagnating imports. The services balance has also deteriorated because of a succession of net outflows in the form of investment revenue. Un-set-off transfers having remained at the same level as in 1980, current payments showed a negative balance of 43.4 billion CFAF in 1981. Estimates of the 1982 balance of payments indicate the same kind of configuration as in 1981, but the positive balance has shrunk because of a more pronounced deterioration in the current payments balance, which now stands at -70.4 billion CFAF. Long-term capital inflows remained at the same level as in 1981.

2. Major problems and policies pursued

287. In order to deal with the various problems listed, the authorities have taken a series of measures affecting the primary as well as the secondary sector:

(i) priority remains with the primary sector in the effort to attain self-sufficiency in food. Numerous rural development projects with this end in view have been launched; (ii) structural measures have been taken to improve the efficiency of the industrial sector. Some unprofitable State enterprises have been dissolved and others are to be transferred to the private sector. Strict standards are being applied in the management of public finances in order to bring down spending. Civil service recruitment and promotions have been frozen pending the introduction of a new "solidarity tax" amounting to 5 per cent of salaries.

288. In 1983 Togo signed a stand-by arrangement with IMF in conjunction with a debt renegotiation programme. The purpose of the arrangement is to stablize the economic situation and to bring about the necessary improvement in conditions for the restoration in the medium term of domestic and external equilibrium so as to permit real and sustainable growth in the years ahead.

UGANDA

1. Major Macro-economic Trends

(a) Overall and Sectoral Growth

289. In 1982, Uganda continued on its path of recovery. Total GDP increased by 6.1 per cent in real terms as against an increase of 3.9 per cent in 1981 the first year of positive growth since 1977. The high growth in 1982 was mostly due to the good performance of agriculture which had growth rates of 12.2 per cent and 8.8 per cent for the monetary and non-monetary sectors respectively. The agriculture sector on its part owed its high growth on the increased producer prices and other economic aspects which resulted in an increase in cash crops. Coffee production increased from 97.5 thousand tonnes in 1981/1982 to 166.6 thousand tonnes in 1983 while cotton production rose from 27,000 bales to 55,000 bales and tea output expanded from 1,700 tonnes to 2,500 tonnes. The small manufacturing sector which still has to see a clear recovery was constrained by the scarcity of foreign exchange and the shortages of material inputs. As such many manufacturing industries are still operating below 30 per cent of their installed capacity. Transport and communications has been a major bottleneck in Uganda and the recovery programme of the country has given special attention to it. However, during 1982 there were noticeable increases in railway and road activities including reconstructions and increased traffic.

(b) Domestic Expenditure Trends

290. Data on trends in expenditure on GDP are not readily available. Available estimates point to a rapid increase in total consumption in current prices between 1981 and 1982 as a result of the inflationary trends and the uncertainities due to currency fluctuations. From the same estimates, it is apparent that government final consumption increased relatively faster than private consumption due in part to the increased revenue of government. Overall the consumption rate might have reached as high as 99 per cent in 1982 implying an almost negligible level of savings. With a slightly increased investment rate it would seem that the country has been mainly dependent on external assistance.

(c) Public Finance

291. Since the introduction of the foreign exchange policies in 1982, the size of the government budget has risen steadily. Indeed, the 1983/1984 budget forecast pointed to a phenomenal growth of 65 per cent for revenue and 64 per cent for expenditure. At this rates, total revenue would rise to 71.3 billion Uganda shillings and expenditure would reach over 109.5 billion

Uganda shillings implying a budget deficit of 38.2 billion Uganda shillings. This shortfall would be covered mainly by external loans and grants and, to a smaller extent, by borrowing from the banking system. It must, however, be emphasised that the dual exchange rate system enabled government to raise additional revenue of over 10 billion shillings thus bringing about the good performance of the budget during the 1982/1983 period.

(b) The External Sector

292. The adverse international economic condition had unfavourable effects on Uganda's balance of payment position. However, due to a strong export drive (exports increased by 36.6 per cent in 1982) the 1981 deficit was more than halved to US$52.3 million against $118.1 million. Numerous rationalization policies are being carried out so that, apart from obtaining an external balance, the foreign sector could effectively be geared into servicing the objectives of the recovery programme. Within this framework, therefore, it was decided that effective July 1983 that all aid imports be concentrated in potentially viable enterprises and those most needy of spare parts and raw materials. The five per cent import deposit required by the Bank of Uganda has been abolished and the import licence processing fee chargable by the Uganda Advisory Board of Trade was reduced from one per cent to one-half per cent on all imports irrespective of the Window at which the foreign exchange is bought. In order to increase resources at Window 2, all exports other than coffee and cotton have been transferred to Window 2. So was the case with all non-oil imports. This, however, does not cover imports of raw materials, spare parts and inputs financed through external aid. This is in addition to other measures designed to foster effective use of scarce foreign exchange. In addition, the government is actively pursuing its efforts to settle and reschedule a large part of the country's external debt.

(c) The Social Sectors

293. Increased attention is paid to the social sectors although most efforts at this stage are concentrated on rehabilitation of various service institutions. More medicine is being imported enrolment in schools is increasing and steps are being taken to upgrade manpower through scholarships abroad and internal training.

2. Major Problems and Policies

294. The major problems of development in Uganda are, as of now, mainly of a short-term nature necessitating adjustment measures and rehabilitation

policies. Actually when the government of Uganda adopted a recovery programme for the period 1982-1984 it was deliberately intended to solve the short-term issues before evolving long-term programmes. In this context, the major problems that have had to be faced include (a) improving the overall security situation and (b) setting the economy on a course of recovery. The government has, in the process, promulgated a number of policies the most important of which include (a) floating of the Ugandan Shillings (b) increasing producer prices (c) encouraging foreign investment. The recovery programme with a total cost of $736.5 million envisages a sectoral allocation of 30 per cent to agriculture, 29 per cent for industry and tourism, 21 per cent for transport and communications, 15 per cent for sc social infrastructures and 5 per cent for minerals and energy. Such a sectoral distribution aims at reviving the productive capacity of the economy.

3. Review of External Assistance

495. The government of Uganda elaborated a Recovery Programme involving a policy package for exchange rate adjustment, price policies, trade liberalisation, etc. This programme was launched at a consultative group meeting under the auspicies of the World Bank and the response of donor countries was promising. Present estimates of external assistance show that for the year 1982 net official long term inflows amounted to US$39.1 million. Total official inflows amounted to US$215 million broken down into US$70 million for net drawing, US$62.9 million for rescheduled principles and US$182.1 for rescheduled arrears. However, short term flows showed a net outflow of US$3.9 million. The country also continued to obtain support from the IMF especially in respect of the currency operations of the Bank of Uganda under the different currency windows.

UPPER VOLTA

1. Changes in principal macroeconomic aggregates

A. Overall growth and sectoral trends

296. The recovery of the growth of GDP which started in 1981 as a result of excellent harvests in 1981 and 1982, which brought the share of the rural sector in GDP to 131.5 billion CFAF as against 116.3 billion in 1980, did not continue. In 1982 the rate of growth of GDP in real terms fell to 6.8 per cent from 8.6 per cent in 1981, i.e. from 143 billion CFAF to 133.8 billion at 1970 constant prices. During the same period the per capita GDP fell from 20,174 CFAF to 19,252.

297. The real contribution of agriculture to GDP (40 per cent in 1981) fell to 39 per cent in 1982; that of industry fell from 17 to 16 per cent in the same period, while the share of services rose from 43 to 45 per cent.

298. During the period under review, the rate of growth of agriculture in real terms fell from 6.1 per cent to 3.5 per cent. The rate of growth of declining industry fell in real terms from 5.6 to 1.9 per cent.

B. Domestic demand

299. Private consumption which shrank slightly in 1981 (94.5 per cent of GDP as against 95.3 per cent in 1980) remained about the same in 1982 (94.8 of GDP). Its real rate of growth of 5.1 per cent in 1981 and 6 per cent in 1982, although lower than that of GDP, did not allow sufficient domestic savings to meet investment needs. Gross domestic savings, which remained negative, declined at current prices from -30 billion CFAF in 1981 to -36 billion in 1982. The real rate of growth of public consumption remained almost the same: 5.2 per cent in 1981 and 5.4 per cent in 1982. The rate of investment declined from 17.5 per cent to 15.9 per cent, corresponding to real rates of growth of 9.6 and -4.8 per cent in 1981 and 1982 respectively.

C. Foreign trade and balance of payments

300. In the face of a decline in the rate of growth of export earnings (-3.2 per cent in 1982 as against +6.1 per cent in 1981) caused by difficulties in promoting traditional exports (cotton and live animals) and a fairly marked increase in imports, especially petroleum products, the deficit in the trade balance rose from 96.8 billion CFAF in 1981 to 101.6 billion in 1982.

D. Public finances

301. The State budget, after being in surplus since 1977, experienced a deficit of nearly 2 billion CFAF in 1981. The servicing of the debt, which was about 3.3 billion CFAF in 1981, represented about 8 per cent of export earnings.

2. Prospects for development in 1984

302. The imbalances faced by Upper Volta since 1980 may become worse in 1984 because of (1) the drought, which has again struck the country, bringing the cereal deficit to 120,000 tonnes in 1983-84; (2) the long delay in the execution of priority projects which have been on the stocks for several years, especially the Tambao manganese project, linked to the building of the Ouagadougou - Tambao railway, which should open up and develop the north of the country. This railway project, started with domestic financing, needs substantial additional external financing, which has not yet been acquired.

303. To solve its present difficulties, Upper Volta has started to prepare a three-year interim plan, to be published in the second quarter of 1984. At the same time, it has decided to convene a round table of donors to discuss a priority development programme based on the development plan adopted. Only in the coming months, therefore, will an accurate picture emerge of the medium-term and long-term policies and strategies which must be implemented to bring about the accelerated development of Upper Volta.